C.P. (43) 61 - Overseas Military Expenditure: Joint Memorandum by the Chancellor of the Exchequer and the Minister of Defence.

62 - Report by the Chancellor of the Duchy of Lancaster on the Functions, Organisation and Establishment of the Control Commission for Germany: Memorandum by the Secretary of State for Foreign Affairs.

63 - Composition and Terms of Reference of the Information Services Committee: Note by the Secretary of the Cabinet.

64 - Redistribution of Seats: Memorandum by the Home Secretary.

65 - Overseas Ration Scales of the Forces: Memorandum by the Minister of Defence.

66 - Cyrenaica: Memorandum by the Secretary of State for War.

67 - Fortnightly Economic Report: Note by the Chancellor of the Exchequer.

68 - Preparation of Legislation for the 1948-49 Session: Memorandum by the Lord President of the Council.

69 - Czechoslovakia: Memorandum by the Secretary of State for Foreign Affairs.

70 - Committee on Social Services in Western Europe: Note by the Secretary of the Cabinet.

71 - The Czechoslovak Crisis: Memorandum by the Secretary of State for Foreign Affairs.

72 - The Threat to Western Civilisation: Memorandum by the Secretary of State for Foreign Affairs.

73 - Monopolistic Practices Bill: Memorandum by the President of the Board of Trade.

74 - Pay of Senior Police Officers: Memorandum by the Home Secretary.

75 - European Economic Co-operation: Memorandum by the Secretary of State for Foreign Affairs and the Chancellor of the Exchequer.

76 - Statement on Personal Incomes, Costs and Prices: Follow-up Action: Memorandum by the Minister of Labour and National Service.

77 - Service Accommodation in the United Kingdom: Memorandum by the Minister of Defence.

78 - Talks on Germany: Memorandum by the Secretary of State for Foreign Affairs.

79 - Parliament Bill: Memorandum by the Prime Minister.
C.P.(49) 80 - Monopolistic Practices Bill: Memorandum by the President of the Board of Trade.

81 - Pay of Senior Police Officers: Memorandum by the Secretary of State for Scotland.

82 - Exchequer Contribution towards Professional Fees incurred by Claimants for Loss of Development Values: Memorandum by the Secretary of State for Scotland and the Minister of Town and Country Planning.

83 - Five-Power Treaty: Note by the Secretary of State for Foreign Affairs.

84 - Havana Trade Conference: Memorandum by the President of the Board of Trade.

85 - Fortnightly Economic Report: Note by the Chancellor of the Exchequer.

86 - Paper for a Fascist Periodical: Memorandum by the President of the Board of Trade.

87 - Service Accommodation in the United Kingdom: Memorandum by the Minister of Health.

88 - Effect of the Local Government Bill on Parliamentary Procedure: Memorandum by the Chancellor of the Exchequer.

89 - The Report of the Russell Vick Committee on the Black Market in Petrol: Memorandum by the Minister of Fuel and Power.

90 - Petrol Rationing: Memorandum by the Minister of Fuel and Power.
OVERSEAS MILITARY EXPENDITURE

Joint Memorandum by the Chancellor of the Exchequer and the Minister of Defence

AT the meeting of the Cabinet on 2nd December, 1947 (C.M. (47) 92nd Conclusions, Minute 2) we were invited to consider, in consultation, whether special machinery should be set up to ensure that overseas expenditure by the Service Departments was kept in line with the Government's general balance of payments policy.

2. We are satisfied that the present arrangements, which have recently been strengthened, are sufficient to secure that the overseas expenditure of the military forces is adequately controlled. Control is exercised in the three following ways:

(i) Normal Treasury control as exercised over military expenditure, whether at home or overseas.
(ii) The control exercised through the Exchange Requirements Committee which has been strengthened to fit the present stringency.
(iii) Special reviews of particular branches of expenditure, such as one recently concluded on that incurred on overseas works.

3. The scope of overseas military expenditure can be illustrated by an analysis of current expenditure which is estimated to run for the first half of 1948 at the rate of about £79 million a year. It is difficult to analyse this with any accuracy but a rough indication of its composition is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash issues to uniformed personnel</td>
<td>£26,000,000</td>
</tr>
<tr>
<td>Works Services</td>
<td>£15,000,000</td>
</tr>
<tr>
<td>Pay of civilians</td>
<td>£21,000,000</td>
</tr>
<tr>
<td>Stores and Supplies</td>
<td>£11,000,000</td>
</tr>
<tr>
<td>Miscellaneous (including Transport)</td>
<td>£6,000,000</td>
</tr>
<tr>
<td></td>
<td>£78,000,000</td>
</tr>
</tbody>
</table>

(a) Cash issues to uniformed personnel

4. A considerable part of the local drawings of pay by officers and other ranks is recovered through such means as canteen receipts. The figure of £26 million in the table makes allowance for this and represents net drawings only. The amount can only be diminished by reducing numbers overseas.

(b) Works Services

New work is being restricted to the minimum, almost invariably in semi-permanent construction, to accommodate troops who are being redeployed. The small amount of maintenance work in hand is confined, in spite of pressing needs following excessive deterioration during the war, to what is absolutely essential. A special review of overseas works has recently been made by the Ministry of Defence and the Treasury, and we are agreed that the current programmes, which have been substantially reduced, are reasonable.

34965
(c) Pay of Civilians

Large numbers of civilians are employed in stores and supply depots and in workshops. The existence of very large storage depots, and the heavy movements of stores now taking place, particularly in the Middle East, account for the heavy expenditure under this head. The Minister of Defence has undertaken a review with the object of reducing civilian staffs to the minimum.

(d) Stores and Supplies

This includes local food purchases of certain items of the ration, e.g., fresh vegetables within normal approved scales. These are at present under investigation, but by and large, local expenditure is related to the size of the forces and is capable of substantial decrease only by a reduction in numbers.

(e) Miscellaneous

This last heading covers a miscellaneous collection of small items which are inevitable when forces are maintained overseas. Treasury control is brought to bear principally through the general stringency enforced by limitation of estimates.

5. The foregoing figures exclude oil and food other than local purchases. The oil requirements are reviewed by the Exchange Requirements Committee. Economies were introduced in the second half of 1947 following discussion between the Minister of Defence and the Service Ministers. Food, other than local purchases, is provided by the Ministry of Food and reviewed as part of the import programme.

6. Very little of the expenditure is incurred either directly or indirectly in dollars. About 70 per cent. of the total expenditure is accounted for by expenditure in Palestine, Egypt, Malaya, Gibraltar and Malta, the first two countries accounting for some 40 per cent. of the whole.

R. S. C.
A. V. A.

23rd February, 1948.
CABINET

REPORT BY THE CHANCELLOR OF THE DUCHY OF LANCASTER ON THE FUNCTIONS, ORGANISATION AND ESTABLISHMENT OF THE CONTROL COMMISSION FOR GERMANY

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

AT my request the Chancellor of the Duchy of Lancaster has recently completed an enquiry into the functions, organisation and establishment of the Control Commission for Germany. I circulate for the information of my colleagues his report, with the conclusions of which I am in general agreement.

A similar report on the German Section of the Foreign Office is being prepared.

E. B.

Foreign Office, S.W. 1,
24th February, 1948.

NOTE BY THE CHANCELLOR OF THE DUCHY OF LANCASTER

The Report, I think, explains itself and I would make only three comments:—

(1) The result of my enquiry has been to confirm the view which the Secretary of State has more than once expressed in public, that the majority of the Control Commission are patriotic and hard-working public servants who deserve every support in their most difficult job.

(2) I have been given every assistance by General Robertson and his staff, high and low, who have facilitated my task at every point.

(3) No responsibility attaches to anybody except myself for any statement or conclusion in the Report. General Robertson is, however, in general agreement with it, while reserving the right to make any comments on points of detail when he has studied it more carefully and not to commit himself at this stage regarding any particular rate of reduction in the Control Commission staff in the year 1949-50.

P.

Foreign Office, S.W. 1,
February, 1948.
REPORT TO THE SECRETARY OF STATE ON THE FUNCTIONS, ORGANISATION AND ESTABLISHMENT OF THE CONTROL COMMISSION FOR GERMANY

Introductory

You asked me on 15th October, 1947, to enquire into the functions, organisation and establishments of the Commission. My terms of reference were as follows:—

(1) To investigate and review the various functions which are being performed by the British Element of the Control Commission for Germany, distinguishing between those determined by quadripartite decisions and those which are within the sole competence of His Majesty's Government.

(2) To define as precisely as possible the functions which ought to be performed in future.

(3) To consider the organisation best adapted, with all due regard to economy of man-power, to execute the functions defined under (2).

Alike with regard to functions, organisation and personnel, my task falls under two heads: one, to describe what is, and two, to recommend what should be—with special reference to the year April 1948—April 1949.

2. By various methods I have collected and arranged, and interpreted, a great mass of material bearing on the first part of the task, the description of what exists at the moment. It is available, of course, when required, but in view of the state of flux (referred to again in a moment), through which the whole Commission is passing, much of this descriptive material will rapidly become of historical interest only and I see no reason, therefore, to set it out in detail, except very briefly in the appendices* to this report.

3. With regard to the second part of my task, that concerned with recommendations for the future, the state of flux is still more obviously the governing factor. Clearly it is impossible to determine how the Control Commission should be organised or how much staff it requires, until one has decided what its functions in a given period (April 1948—April 1949) are to be.

4. The functions, however, which should be performed by the Control Commission are obviously the counterpart or supplement of those to be performed by the German authorities, and these latter functions, I need not remind you, are under the closest consideration at the moment.

5. Moreover, whatever German agencies are developed or freshly established during the coming year, it will be very hard, until it is seen how quickly they are capable of standing safely on their own feet, to forecast at all precisely the British staff required to supervise or assist them, or supplement their activities in any way. Nevertheless, an attempt must clearly be made. What follows, therefore, is inevitably very broad and very provisional.

6. Assuming that a new set of German institutions is functioning by the end of the summer, I would strongly recommend that a further report on the proper functions to be performed by the Control Commission should be called for and obtained by the end of the year.

7. When those functions are more clearly defined it will be possible to speak more confidently about the best way in which the Commission should be organised to perform them.

8. One idea, I know, will be kept in the front of discussion to which it has not been possible to give complete effect hitherto. In so far as the main work of the Commission will lie in supervising a provisional German Government, it will be essential that the British or Anglo-American supervisors be brought as close as possible at every point to the German authorities with whose work they are concerned.

* Not printed.
9. The Central German body will presumably be functioning at Frankfurt and I think it of the highest importance that the Allied leaders (i.e., General Robertson and General Clay) should spend most of their time and be accessible there. I know it is very much in the Military Governor’s mind. The same principle will dictate to a considerable extent the actual organisation of the Commission into Divisions, Branches, &c., though, of course, there will be some Divisions—e.g., Intelligence—to which there is no German counterpart.

Functions of the Control Commission

10. In constitutional theory, which has less and less application, relevance or meaning, the British Element of the Control Commission is only one national element of a single Commission, and the basic function of the whole Commission is to see that the decisions of the four Commanders-in-Chief are carried out. In practice, the functions of the British Element include, as the lowest estimate, the achievement of the purposes of His Majesty's Government in Germany.

11. We occupied Germany as I see it, for the reasons that can be placed under three main heads:—

1. Security in the narrow physical sense against future German aggression.
2. The education of the German people in a peaceful, democratic, Christian outlook, including the whole process of denazification and the establishment of democratic institutions.
3. The liquidation of various situations arising from the war and its aftermath, including reparations, rehabilitation of the German economy and the recovery of expenditure on Germany since the war, the care of displaced persons, punishment of war criminals, disposal of surplus British stores, &c.

12. Once in Germany, however, we have acquired, whether we like it or not, a high measure of responsibility for everything that happens there. The aims just mentioned under the heads (1) to (3) involve in any case the reconstruction of Germany economically and physically, as well as spiritually, and indeed so long as no German Government above Land level is permitted, our responsibility for the good government of Germany can hardly be said to stop short of that sustained by any national government towards its own people.

13. It is true that we have, over a wide area—education, public health, police, &c.—delegated responsibility to the Germans during the last year, but this, though it has a most important bearing on the numbers of the Control Commission staff required, has not hitherto, I submit, affected our ultimate moral and political responsibility for what goes on in Germany. It is my view of the essence of any salutary change in the year ahead that we should disembarrass ourselves of a large part of the responsibility in question by transferring to the Germans sufficient powers, and sufficient power to enable them to feel, and the world to recognise, that they have in fact got a Government of their own. Until such a change is made we can expect little if any progress towards a self-supporting Germany.

Establishment of the Control Commission

14. It is estimated that on 1st April, 1948, the manpower of the Control Commission engaged on functions essential to the control of Germany (“within the ceiling”) will amount to 15,783. This compares with 19,771 on 1st April, 1947, and a peak of just under 24,000 on 1st January, 1947.

15. There are in addition staffs “outside the ceiling”, that is to say supplementary staffs acting on behalf of His Majesty’s Government in Germany, or engaged on non-control activities arising as an aftermath of the war. The cost of these staffs is for the most part recoverable from other Departments. On 1st April they are estimated to number 3,316, making a total staff in the Commission of 19,099. (In April, 1947 the corresponding total was 24,432. The peak on 1st January, 1947, was 26,280. Early in 1946 a target of some 40,000 was aimed at, but it was never attained.)
Methods of sub-dividing the establishment

16. What will the 15,733 English men and women engaged on "essential control functions" be doing? There are various ways of sub-dividing the figure. The simplest way of conceiving the Control Commission is to think of it in terms of three sets of staff; one, Regional, spreading downwards from the Military Governor through the Regional Commissioners and the District-group (Regierungsbezirke) Commanders, to the District (Kreis) Resident Officers; the second, functional, descending from the Military Governor through high co-ordinating officers to the heads of Divisions or independent branches, i.e., Industry, Finance, Legal, Public Safety, &c, to the various junior members of divisional staffs; the third set is best described as administrative, in the sense that they service not the Germans but the whole British staff of the Commission, the Allied Missions, press and other sponsored visitors in the Zone, and the families of all of them who are in the Zone.

17. The picture is complicated by the fact that the first two hierarchies are intimately interwoven and that a large proportion of the members of the second hierarchy, i.e., the Divisional or Functional staffs, are serving in the Regions under the orders of the Regional Commissioners. They owe double allegiance in the same way as, in the army, engineers and doctors owe allegiance to both the Commander of their operational unit (e.g., a Divisional Commander) and, on technical matters, to the head of the R.A.M.C. and Royal Engineers. While, for example, the Chief of Industry Division is an Officer on the Headquarters staff of the Military Governor, over 150 officers of the Division are in North Rhine/Westphalia, serving under the Regional Commissioner.

18. A simple method, therefore, of dividing the 15,733 British personnel would be to say that 896 were the Regional hierarchy; 1,788 were the functional officers serving on Regional staffs; 4,246 were functional officers acting directly under Headquarters instructions. In addition Intelligence Division accounts for 2,826 and the Interpreters' Group for 350. Finally 5,627 were engaged in servicing British personnel.

19. The above is the simplest way of splitting up that part of the Control Commission personnel who are within the manpower ceiling, according to their present method of organisation. Analytically, however, if we approach the question from the angle of deciding what functions should be performed by British, and what to transfer to German, hands, a preferable division is as follows:

1. Functions which could only be performed under British direction.
2. Functions where British staff co-operate with the German authorities, whether by way of control supervision, advice or assistance.
3. Servicing of British staff.

According to this classification, the following Divisions come under the first head as essentially British functions:

- Disarmament;
- Reparations Deliveries and Restitution;
- Intelligence;
- Combined Services; parts of Posts and Telecommunications, Industry, Finance and Legal, Allied Liaison Branch and Missions, E.C.O.S.C. (Economic Sub-Commission) Research Branch, Interpreters' Group, Headquarters Staff and British Zone Petroleum Co-ordinating Authority, absorbing 4,566 British staff in all.

To these should be added the Regional hierarchy, the local representatives of the British in Germany, amounting to 896. The heading therefore totals 5,462.

20. Under the second heading come the remaining Divisional Staffs, amounting to 4,644 in all:—Governmental Sub-Commission, Political Adviser, Denazification, and German Zonal Advisory Council, Political Division, Education Branch and Adviser, Religious Affairs, Public Health and Public Safety Branches, Public Relations and Information Services Control, parts of Legal Division, Economic Sub-Commission (excluding Research Branch), Industry (excluding Disarmament), Fuel and Power, Commerce, Food and Agriculture, Transport, Finance (excluding Property Control) and Manpower Divisions, Posts and Telegraphs group (less Services Section), Civil Aviation Branch and Zonal Statistical Organisation.
21. Under the third heading, the administrative staff concerned with servicing British personnel total 5,627.*

Possibility of Waste of Manpower

22. The question could, of course, be explored at length whether these numbers contain any elements of waste or in fact correspond to requirements. In view, however, of the changes and reductions which are about to be carried further, such a discussion would be largely academic in character.

During the last three months I arranged, in conjunction with the Military Governor, that spot checks should be made on various key points of the Commission into the organisation methods, and staffing, in particular at the Headquarters in Berlin of the Economic Sub-Commission, and Functional Divisions, and at the Branch Headquarters at Herford, where the Records Section of Intelligence Division was inspected. They were conducted by Mr. Briggs, the Foreign Office (German Section) Adviser for organisation and methods, appointed in consultation with the Treasury (Organisation and Methods Division), and Mr. Bovenizer, until recently the Director of Organisation of the Control Commission. They were carried out in relation to the functions which the various branches examined were seeking to perform, without reference to the broader questions of principle as to what are and are not the proper functions of the Control Commission. The results of these enquiries reveal, it is fair to say, a reasonably satisfactory state of affairs, though some changes in organisation and methods and economics in staff were recommended and will be made. In the short time available for these enquiries only a limited ground could be covered. They are being continued over a wider ground to provide more comprehensive and detailed recommendations. The programme of detailed survey that has been commenced will help to ensure that in work organisation, methods and staffing, maximum possible efficiency and economy is achieved.

23. The limited field in which detailed investigation has been made on my behalf has shown few signs of overstaffing. On the other hand, I have little doubt that the Control Commission is expensive in manpower judged by Whitehall standards—and for very obvious reasons. I refer to (1) geographical dispersion, (2) frustration by Russian policy of the original quadripartite conception upon which our own administrative structure was based, and (3) uncertainty about the future which has hitherto blocked all efforts at simplification and clarification. The geographical dispersion involved in separate Land Governments would in any case have used up a good many British personnel, but the extravagance of manpower imposed by frustration and uncertainty can be briefly illustrated by pointing to the fact that we have not less than three central British organisations, actual or potential, at Berlin, Frankfurt and Lubbecke.

Estimates for the Year 1948–49

24. Nevertheless, when all is said, a certain global figure of personnel will be necessary by the end of the financial year 1948–49. The figure put forward by the Military Governor is 10,738. It represents a drop of 5,000, or nearly one-third, over the year. The figure itself, while it comes independently in the result from the Military Governor, is one which we have seen being worked out during the progress of our enquiry. It is one, it is fair to say, which has been framed in the light of the British manpower shortage which throughout our

* Summary of Establishments and Prospective Establishments at April in each year

<table>
<thead>
<tr>
<th></th>
<th>1947</th>
<th>1948</th>
<th>1949</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Within the Control Commission</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manpower ceiling:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Essentially British Functions</td>
<td>6,111</td>
<td>4,566</td>
<td>2,758</td>
</tr>
<tr>
<td>British Supervisory Functions</td>
<td>7,933</td>
<td>5,540</td>
<td>2,892</td>
</tr>
<tr>
<td>Domestic Administration</td>
<td>6,627</td>
<td>5,627</td>
<td>4,178</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,771</td>
<td>15,733</td>
<td>10,738</td>
</tr>
<tr>
<td><strong>Outside the Control Commission</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manpower ceiling:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Control Functions</td>
<td>4,661</td>
<td>3,316</td>
<td>1,918</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,432</td>
<td>19,049</td>
<td>12,656</td>
</tr>
</tbody>
</table>
enquiry we have stressed at every stage. There is no special coincidence, therefore, in the fact that it seems to me a figure which, subject to one qualification mentioned below, can reasonably be accepted. Indeed, while no infallibility will be claimed for an estimate of this kind, thrust out across a year whose progress is shrouded in particular uncertainty, I regard this as a genuine and careful attempt to balance all the factors in the problem.

25. My only reservation concerns the figures given for the Car Organisation. It will be remembered that the Sub-Committee of the Select Committee for Estimates which went to Germany recommended that among others the establishment of the Car Organisation should again be reviewed. This has been done, and it will be observed that numbers are being reduced from 2,381 at 1st April, 1947, to 1,747 at 1st April, 1948, and 1,200 at 1st April, 1949; but I am not at all certain that further substantial reductions are not possible, some of which might require policy decisions. Consequently the Military Governor has agreed with me that a further official investigation should be made into this and this is now being conducted.

26. To say that the estimates are satisfactory with the one exception I have mentioned, is not to rule out any possibility of a substantial reduction in the event. If we could get a really efficient German administration going in Western Germany—a Government in practice, whatever we call it—by the late Summer or Autumn, it is conceivable that we might improve a good deal on the 10,738 asked for, subject to the Car Organisation reservation. Any marked reductions, however, would affect only a limited range of functions. Essential British Services (Category (1)) are planned to come down from 4,568 to 2,758 and, however successful was the German Government and however many powers we devolved on it, there would be little if any, reduction there. British Supervisory Activities (Category (2)), are due to be cut from 5,540 to 3,502 and, in theory, could descend still more sharply if the German Government were functioning effectively, but Religious Affairs, Education, Public Safety, Political Division, Public Relations and Information Services Control, and Legal, would not be much affected in the first few months. Noticeable reductions, if any, would have to come in practice from the Economic Group (Industry, Fuel and Power, Commerce (including Joint Export-Import Agency), Food and Agriculture, Transport, Manpower, and Finance) and also perhaps from Posts and Telecommunications and Public Health. This Group of functions is in any case being cut from 2,470 to 1,254 (i.e., practically 50 per cent.), and one would have to be very sure indeed that there was no danger of a German breakdown before cutting down staff still more drastically. I would make similar comments with regard to the Regional Staffs proper, the Regional Commissioners and their staffs down to the Kreis Resident Officers, i.e., the non-functional officers who are coming down from 2,531 to 1,826.

27. In short, if things went as well as the greatest optimist might hope, we might be able to bring the figure for 1st April, 1949, down by a few hundred from 10,738 but not more than that.

The Year 1949–50

28. On the other hand, the figures for the year 1st April, 1949, to 1st April, 1950, should show an extent of reduction greater not only in degree, but in kind. Of course, everything may go worse than we expect, but we may reasonably assume that during that year the Germans will be running their own show, including, e.g., their foreign trade. They should be doing it as efficiently as most other European countries and, if only because of their hatred and fear of the Russians, in a fashion at least as friendly to Britain.

Security of Tenure for the Staff (for Summary see para. 35).

29. The report would not be complete without a reference to the morale of the Control Commission staff which is apt to be adversely affected by uncertainty as to their own future.

30. Security of tenure is a matter which exercises a great many of the individual members of the staff of the Commission. There has been in existence for two years a scheme of granting engagements for varying periods up to
September, 1952, with compensation if the individual is discharged for redundancy before the end of his fixed term engagement. At the present time these engagements are for periods running from September to September in every year from 1948 to 1952, by which time of course the Commission will be so much smaller than at present as to be a different entity.

31. For the great part of the present staff of the Commission, these terms are the best that it is possible to give, subject to reasonably accurate estimation of the year in which each individual is likely to cease to be required. Something, however, seems to be lacking in the manner in which the system is being operated. A number of officers are still on month to month terms of employment, or have engagements which will expire in September, 1948. It is these officers who are most uncertain about their futures. I consider that the Commission should take urgent steps to review all these officers and if it is clear that they will be required for two or three or more years (as I am sure is the case with some of the higher officers with whom I spoke) the Foreign Office should, as soon as possible, be asked to extend their engagements until the appropriate date. I am told that there is no difficulty at this end about doing this. The aim should be, so far as possible, to give the appropriate extension at least a year before the expiry of the existing engagement.

32. Security of tenure as a phrase is often used in Parliament as well as in the Commission to mean an engagement for a much longer period than until 1952. At times a career service with pension rights is envisaged. It is clear that, with the prospective run down of the Commission in the next two or three years, any such long term service must be limited to a very small proportion of the members at present employed. Any assumption of a career service in it appears therefore to be precluded. Nevertheless, planning for the continuance of the Commission beyond September, 1952 is already being undertaken. It is assumed that a not inconsiderable proportion of the staff then required ought to consist of established Civil Servants (from the Foreign Service as well as the Civil Service) and regular officers seconded from the Services. I agree with this aim and am exploring the possibility of drawing on the Civil Service more effectively than in the past.

33. In addition, it may be that there is a limited number of temporary officers now in the Commission who ought to be retained indefinitely. For them it has been suggested that they should be established in the Home Civil Service, but I am told that the problem of foreseeing whether and how they could be ultimately absorbed in the Civil Service at home for the completion of their careers, and the difficulties surrounding the grant of establishment otherwise than through the normal methods of entry, make it unlikely that this course can be adopted for any but a very few officers individually selected.

34. A more general proposal which is now before the Treasury is the grant of fixed term engagements for ten or fifteen years, or even more, carrying substantial rights of compensation in the event of earlier discharge for redundancy, coupled with a scheme of long service gratuities starting after seven years' service. This would in fact be an extension on a more elaborate and more generous scale of the existing system inaugurated in 1945 of engagements to 1948, 1950 and 1952 with compensation rights on discharge for redundancy. Our proposals have been before the Treasury since the autumn. They felt compelled to defer consideration until the conclusion of the recent Council of Foreign Ministers made it possible to see the future a little more clearly. Official discussions with the Treasury have now been resumed, and although I recognise the difficulty in selecting particular individuals to whom ten or fifteen year engagements ought now to be given I hope that they will shortly approve a scheme on these lines.

35. To summarise, security of tenure for the great majority of the Commission is in any case impossible but a measure of progress might be made along three lines:—

(1) The Control Commission, in conjunction with the Foreign Office, should try to operate the existing scheme of fixed engagements in such a manner as to give much more notice than at present of the intention to extend contracts, wherever this can be ascertained in advance, so that members of the Commission should have a clearer understanding in advance of whether they would be wanted.
(2) We should explore the possibility of drawing more effectively than in the past on the established Civil Service in obtaining members for the Control Commission.

(3) Support should be given to the plan, now under discussion with the Treasury, for a grant of fixed-term engagements for ten or fifteen years with substantial rights of compensation in the event of earlier discharge for redundancy, coupled with long service gratuities after the seventh year.

P.

Foreign Office, S.W.1,
14th February, 1948.
COMPOSITION AND TERMS OF REFERENCE OF THE INFORMATION SERVICES COMMITTEE

NOTE BY THE SECRETARY OF THE CABINET

THE Prime Minister has appointed an Information Services Committee with the following terms of reference:—

"To keep under review Government publicity, both at home and overseas, concerning home affairs, and the working of Government Information Services at home and overseas, and to consider such other related problems as may be referred to them by the Cabinet."

2. The composition of the Committee is as follows:—

Lord President (Chairman).
Secretary of State for the Colonies.
Minister of Labour.
Minister of Health.
President of the Board of Trade.
First Lord of the Admiralty.
Secretary of State for War.
Minister of Food.
Minister of Fuel and Power.
Economic Secretary, Treasury.
Parliamentary Under-Secretary of State for Foreign Affairs.
Parliamentary Under-Secretary of State for Commonwealth Relations.
Lord Henderson.

3. The Joint Secretaries of the Committee are Mr. T. A. G. Charlton, Cabinet Office, Mr. D. Stephens, Office of the Lord President, and the Hon. A. K. Gore, Central Office of Information.

4. The Ministerial Committees on Home and Overseas Information Services have been terminated.

(Signed) NORMAN BROOK.

Cabinet Office, S.W. 1.
4th March, 1948.
CONFIDENTIAL
C.F.(48) 64

1st March, 1948.

CABINET

REDISTRIBUTION OF SEATS

Memorandum by the Home Secretary

In the light of the representations made during the Debate on the Second Reading of the Representation of the People Bill, I have given further consideration to the question of giving additional seats to English urban areas.

2. In the first place, England is considerably underrepresented by comparison with Scotland and Wales. The average electorate per constituency under the proposals of the Boundary Commissions is 58,705 in England, 49,934 in Scotland and 51,644 in Wales. On the basis of the Scottish average, England would be entitled to an additional 90 seats, and on the basis of the Welsh average to an additional 67 seats. No doubt there are good reasons for some weighting in favour of Scotland and Wales, but it is evident that the number of English seats could be substantially increased without injustice to those countries. The only argument against an increase in the number of English seats appears to be that this would increase the size of the House of Commons. The Speaker's Conference recommended that the total number of members of the House of Commons for Great Britain should remain substantially as in 1914 (i.e. 591 excluding University seats; or a total membership of the House of 615, including University and Northern Irish Members). Effect was given to this recommendation in the House of Commons (Redistribution of Seats) Act, 1914, and no alteration was made in this respect by the amending Act of 1917. There is, however, no particular significance in the figure 615, which was originally arrived at accidentally as a result of the reduction from 105 to 13 in the number of Irish members effected by the Government of Ireland Act, 1920. Under the Representation of the People Act, 1913, the total membership of the House was 707. From 1801 to 1885, the House of Commons had 650 Members; from 1885 to 1913 there were 670 Members.

3. Secondly, in England the urban areas are underrepresented in comparison with the rural areas. There is a case for some weighting in favour of the rural areas, and when I discussed the proposed amendments of the redistribution rules with representatives of the Opposition in December, 1946, it was agreed that there should be some weighting. I think, however, that the Boundary Commission have tilted the balance too far in favour of the rural areas; for under their recommendations the average electorate per constituency is 55,360 for county constituencies and 61,442 for borough constituencies, despite the fact that the county constituencies include a number of constituencies which are predominantly urban in character, many of which have electorates well above the average.
There is a strong case, therefore, for granting some additional seats to English urban areas. I recommend that this should be done, and that the additional seats should be allotted as follows:

(c) One seat each to the following boroughs:—

<table>
<thead>
<tr>
<th>Borough</th>
<th>Electorate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battersea</td>
<td>82,675</td>
</tr>
<tr>
<td>Blackburn</td>
<td>84,641</td>
</tr>
<tr>
<td>East Ham</td>
<td>86,666</td>
</tr>
<tr>
<td>Gateshead</td>
<td>82,243</td>
</tr>
<tr>
<td>Hammersmith</td>
<td>81,887</td>
</tr>
<tr>
<td>Norwich</td>
<td>86,406</td>
</tr>
<tr>
<td>Paddington</td>
<td>87,022</td>
</tr>
<tr>
<td>Reading</td>
<td>84,986</td>
</tr>
</tbody>
</table>

These are the eight boroughs mentioned in C.P. (48) 3, and a scheme for dividing each of them into two constituencies was circulated with that paper. They have particularly strong claims for additional representation, since their electorates so greatly exceed the quota and are too large to be adequately represented by single members.

(b) One seat each to the large divided borough named in the table below, which also shows the average electorate per constituency for each borough under the Commission's recommendations and under my proposals.

<table>
<thead>
<tr>
<th>Borough</th>
<th>Electorate</th>
<th>No. of Seats</th>
<th>Average Electorate per constituency</th>
<th>No. of Seats</th>
<th>Average Electorate per constituency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>759,690</td>
<td>12</td>
<td>63,308</td>
<td>13</td>
<td>58,436</td>
</tr>
<tr>
<td>Oxford</td>
<td>213,399</td>
<td>3</td>
<td>71,133</td>
<td>4</td>
<td>53,350</td>
</tr>
<tr>
<td>Bristol</td>
<td>317,046</td>
<td>5</td>
<td>63,409</td>
<td>6</td>
<td>52,841</td>
</tr>
<tr>
<td>Leeds</td>
<td>366,917</td>
<td>6</td>
<td>61,153</td>
<td>7</td>
<td>52,417</td>
</tr>
<tr>
<td>Leicester</td>
<td>207,306</td>
<td>3</td>
<td>69,102</td>
<td>4</td>
<td>51,827</td>
</tr>
<tr>
<td>Liverpool</td>
<td>529,336</td>
<td>8</td>
<td>66,167</td>
<td>9</td>
<td>56,915</td>
</tr>
<tr>
<td>Manchester</td>
<td>499,159</td>
<td>8</td>
<td>62,395</td>
<td>9</td>
<td>55,463</td>
</tr>
<tr>
<td>Nottingham</td>
<td>208,025</td>
<td>3</td>
<td>69,342</td>
<td>4</td>
<td>52,006</td>
</tr>
<tr>
<td>Sheffield</td>
<td>378,650</td>
<td>6</td>
<td>63,108</td>
<td>7</td>
<td>54,093</td>
</tr>
</tbody>
</table>

It will be seen that in each of these boroughs the average electorate per constituency under the Commission's recommendations would exceed 50,000 and that the addition of one seat in each case would leave the average above 50,000. Therefore there appears to be a good case for an additional seat for each of these boroughs. The list does not include Plymouth, because the addition of a third seat in that case would reduce the average electorate per constituency to about 47,000, which seems too low.
There are also a number of undivided boroughs in England with electorates of between 60,000 and 80,000. To give these boroughs additional representation could be achieved only at the cost of combining part of each of them with an adjoining area. It was the strong objection to the dismemberment of boroughs in this way that led to the abandonment of the first proposals of the Boundary Commissioners.

5. The effect of these proposals would be to give England a total of 506 seats. The numbers for Scotland and Wales are 71 and 35 respectively, giving a total for Great Britain of 613. The English seats would be divided between borough and county constituencies, as follows:

\begin{table}
\begin{tabular}{|c|c|c|}
\hline
\textbf{Number of constituencies} & \textbf{Total electorates} & \textbf{Average electorate per constituency} \\
\hline
Borough & 16,540,321 & 57,833 \\
County & 12,179,181 & 55,360 \\
Total & 28,719,502 & 56,753 \\
\hline
\end{tabular}
\end{table}

As a result of an informal inquiry from the Vice-Chairman of the English Boundary Commissioners, I have been told that they could produce a scheme for dividing the Boroughs mentioned in paragraph 4(b) above within a week or two.

6. I should be glad to have the approval of the Cabinet for these proposals. If they are approved, I would propose to ask the Boundary Commission for England to prepare schemes for the re-division of the boroughs named above into the proposed new numbers of constituencies.

7. It will also be necessary to amend the Third Schedule to the House of Commons (Redistribution of Seats) Act, 1944, by substituting 613 for 591 in Rule 1, which at present requires that the number of constituencies in Great Britain shall not be substantially greater or less than 591.

J.C.E.

Home Office, S.W.1.,
4th March, 1948.
CABINET

OVERSEAS RATION SCALES OF THE FORCES

Memorandum by the Minister of Defence

At the beginning of this year I had discussions with the Chancellor of the Exchequer and with the Service Ministers which led up to the adjustments in the home ration scales of the Services, approved by the Prime Minister, which I announced in the House on 28th January. These aimed at making a substantial saving in the main components of the Services' ration which involved heavy dollar expenditure, although admittedly the result would be to make the provision of a balanced and reasonably attractive diet for Service personnel very much more difficult. These adjustments of the Services' ration were confined to Service personnel at home, including the shore establishments of the Navy in this country; but the Chancellor of the Exchequer stressed the importance of achieving the maximum possible dollar saving also on the rations of members of the Forces serving abroad, and in my statement on 28th January I said that—

"I am examining the overseas scales to see what economies in hard currency expenditure are possible, and I hope to make a further announcement on this point in the near future."

2.

The Service Ration Scales Committee, under the chairmanship of Sir Frederick Aldridge of the Ministry of Food, which had worked out the proposals on which the adjustments in the home ration scales had been based, was directed to meet at once to consider the possibility of similar adjustments in the overseas scales. Although there is a standard basic ration scale for the Forces overseas, in practice the scale has to be varied to meet local conditions of supply, climate, etc., and the methods of subsistence have to be considered in respect of four main groups, namely, European (B.A.O.R., B.T.A., and Trieste), Middle East, Far East and garrisons on the Atlantic seaboard. The calorie value of the food issues is 500 more than at home, except in the Far East where it is 700 more than at home for reasons connected with the later phases of the war, and the conditions of re-occupation, in that area.
3. Proceeding on the assumption (as in the case of the home ration scale adjustments) that there should be no overall reduction in the general calorie value of the normal overseas ration scale, the Service Ration Scales Committee made proposals which would have the effect of applying to the overseas scales adjustments as regards the five main "dollar" foods – bacon, meat, fats, cheese and sugar – roughly proportionate with those announced last month in the home ration scale. Quantitatively these proposals would reduce the weekly ration of bacon from the present amount of 9-ozs. to 5-ozs., of meat (including offal and sausages) from 12-lbs. to 7-1/2-lbs. 13-ozs., and of cheese from 4-ozs. to 2-ozs.; as at home there would also be increases, in fats from 12-ozs. weekly to 12-ozs., and in sugar from 2-lb 1/2-ozs. to 1-lb 6-ozs. At the instance of the Ministry of Food and the Treasury, a further additional cut was proposed of 3-ozs. a week of meat and 1-oz. a week of bacon for the Forces in B.A.O.R. subject to compensation in other foods of equivalent calorie value. The Service representatives on the Committee made it clear that all these proposals would require approval by higher authority in their respective Departments.

4. I have had a full discussion of these proposals with the Service Ministers. They are all firmly opposed to any adjustments on these lines in the overseas ration scales of the Forces, except that they are prepared to agree that the FARELF scale should lose its present lead over the other overseas scales and be brought into line with them. The basic scales at present give approximately:

| European, Middle East and Atlantic Stations | 2,400 calories |
| Far East Stations | 3,600 calories |

The supplement for those undergoing arduous training or doing heavy work, and the total resultant ration give approximately the following calories:

| European, Middle East and Atlantic Stations | 600 calories | 4,000 calories |
| Far East Stations | 200 calories | 3,800 calories |

The Far East supplement has probably been issued more freely than in other theatres. It is now proposed that the approximate calorie content of the basic scales and the "heavy work" supplement shall be respectively the same in all theatres overseas.

5. The reasons for the Service Ministers' views are shortly these. The living conditions in the way of accommodation and also of kitchen equipment are undoubtedly inferior in many stations to those at home. The man abroad is entirely cut off from his home, in strange and often unpleasant surroundings and without many of the normal home amenities. He cannot go home at weekends, to be fed by his mother or his wife as is undoubtedly the case with many soldiers stationed at home. The prospect of being able to compensate for somewhat severe cuts in meat, bacon and cheese by providing more fresh fish and vegetables, which is what
we are proposing to do in the case of the newly adjusted home Service ration scales, is a difficult one at many overseas stations, owing to difficulties of supply and distribution, and in some cases non-resellability or high prices of local purchases. The Service Committee which examined the question found that after making comparable adjustments in expensive dollar items, the calorie value would be reduced and, in the absence of suitable substitute food or local food replacements, the deficiency could be made good only by increasing the amount of bread to 14 oz. a day. This in the opinion of the Service Ministers is inestimable for it is already difficult to maintain reasonably attractive or indeed appetising diet in the existing conditions and variations in climate. Moreover, forces stationed in populated centres would find it difficult to understand the necessity for discrimination between themselves and the local European population who are not rationed in any way.

6. Finally, the Service Ministers have considerable doubts whether the dollar saving would be worth the possibility of unrest among the troops which may result if the proposed adjustments in their ration scales are put into effect. A preliminary and necessarily very rough estimate of this saving is about £6-3 millions a year: the Ministry of Food are, I understand, trying to obtain a more accurate estimate. The Service Ministers held that, when account is taken of the necessary alternative purchases in hard currency areas or from dollar sources, the figure may well prove to be less than that estimated above.

7. So far as the Navy is concerned, the consumption of meat, bacon, etc., by personnel on shore is regulated within the quantities included in the ration scales for the other two Services, and any adjustment in the latter would apply to naval personnel on shore. The consumption in sea-going H.M.S. Ships is on a different basis and is related to the scales for the Merchant Navy. Any adjustment in the scales for sea-going ships would probably have to be considered in conjunction with any corresponding adjustments contemplated in the scales for the Merchant Navy. I understand that the Ministry of Transport would anticipate some difficulty in any reduction of the statutory Mercantile Marine ration, both because of possible international reactions and also of the effect upon the manning of British ships engaged in overseas trade.

8. I appreciate the strength of the arguments which moved the Service Ministers to oppose any adjustments in the overseas ration scales of the Forces. Moreover, these proposed reductions are likely to have some adverse effect upon the morale of the Forces overseas, often serving in trying climates and in difficult circumstances. On the other hand, I am impressed with the very real urgency of effecting all possible savings in the dollar expenditure of this country. A saving of the order of even £6-3 millions a year cannot be ignored even though it may only represent a small proportion of the total dollar expenditure by the Services. In my view, in general, the recommendations of the Service Ration Scales Committee as set out in paragraph 3 of this memorandum are reasonable and should be accepted subject to the following modifications:

-3-
I would strongly deprecate any reduction of the existing scales for our troops in Palestine, so long as they remain in that country; nor would I support the proposal for an additional cut in meat and bacon in E.A.O.R. over and above what is proposed for other overseas stations, since conditions of service for our men in Germany seem to me to be just as arduous as anywhere else, and I see no good reason why they should be put on an inferior ration compared with other places overseas. There may also have to be special arrangements at certain stations overseas on account of local conditions. As with the adjustments recently made in the home ration scales, I think that any adjustments to be made overseas should be effected in two stages, reasonably spaced in point of time, so as to enable those catering for the Services in the different overseas stations to adjust their diet plans to the new conditions.

I therefore ask the Cabinet to decide whether:

(a) FARELF scales should be brought into line with those of other theatres overseas, irrespective of the decision under (b) below;

(b) The proposals in paragraph 3 above for adjustments in certain major items of the overseas ration scales of the Forces should be carried into effect in all overseas commands, including Far East;

(c) If so, whether these adjustments should, except as regards FARELF, be effected in two stages, the first approximately six weeks after the announcement and the second three months afterwards. As regards FARELF, the question to be decided is whether if (b) is agreed the adjustments should be made in two or three stages;

(d) The additional cut mentioned in paragraph 3 above should be made in E.A.O.R.;

(e) No reduction should be made in the existing ration scales of our troops in Palestine, so long as they remain in that country; and certain stations overseas, where specially adverse local conditions obtain, should be separately considered;

(f) The Minister of Transport should be invited to make proposals for reductions in the Mercantile Marine ration; and in the light of these proposals further consideration should be given to making adjustments in the ration scales of sea-going ships of the Navy.

A.V.A.

Ministry of Defence, S.W.1.,

4th March, 1948.
CABINET

CYRENAICA

MEMORANDUM BY THE SECRETARY OF STATE FOR WAR

1. At their 83rd (46) Meeting on 26th September, 1946, the Cabinet, after considering a memorandum by the Foreign Secretary (C.P. (46) 354) on the policy to be followed in regard to the future of Libya, agreed that a more progressive policy was required in the administration of Cyrenaica than that which the British Military Administration had been obliged and instructed to follow hitherto, and approved the establishment of a War Office Working Party to recommend what steps should be taken to this end. As I reported in my Memorandum (C.P. (47) 126) of 11th April, 1947, the Working Party visited Cyrenaica in December, 1946, and January, 1947, and their recommendations (which were not referred to the Cabinet in detail) were endorsed interdepartmentally in principle in April, 1947.

2. At their 5th (48) Meeting on 19th January, 1948, the Cabinet approved the proposals which I made in my memorandum (C.P. (48) 4) dated 5th January, 1948, for evolving a completely new administrative structure and policy for Cyrenaica, and steps are being taken to establish a Libya Committee to consider the technical details arising out of the implementation of these proposals.

3. The purpose of this present paper is to report to my Colleagues the progress which has been made in the implementation of the Working Party's recommendations. Before turning to the main recommendations it will be appropriate to allude briefly to the position of the Emir and the attitude he has adopted.

As the keystone of any indigenous edifice, the Working Party stressed the importance of persuading the Emir (who had been in exile in Cairo since 1922) to return to Cyrenaica and to take up permanent residence there. The Emir, however, made his return contingent on certain conditions which may be summarised as

(a) conditions which would ensure his position and dignity as the accepted spiritual and temporal head of his people and,

(b) conditions which would give him executive control in the government of the territory.

The former were reasonable enough, but the latter were unacceptable. Only in August, 1947, were his demands suitably modified, and, following the award of the K.B.E. and the honorific title of Emir, the provision of a Civil List and the settlement of his outstanding debts in Egypt, combined with the assurance that suitable accommodation (Graziani's palace at Benghazi) was being prepared for him as a residence and office, that certain changes had been made in the staff of the Military Administration to meet his personal prejudices, and that a Cyrenaican Administrative Council would be established, the Emir returned to Cyrenaica on 16th November, 1947, where he received an enthusiastic welcome.

4. The following is a summary of the progress made in the implementation of the Working Party recommendations, which have been grouped under general headings. Details are at Annex "A".

(a) Closer Association of Cyrenaicans with the Administration.

In all the measures taken to this end, the Military Administration has proceeded after discussion with the Emir and with his concurrence.

(i) Association with the central Administration:

With the Emir's wish for executive authority and control, the establishment of a Cyrenaican Council as an integral part of the Military Administration has been a matter of lengthy negotiation regarding status, powers, size and composition. On 16th December,
1947, an "Administrative Council" was eventually instituted. Although out of deference to the Emir the Council is called administrative the executive responsibility remains with the Military Administration.

The headquarters of the Military Administration has been reorganized into four departments, Interior, Legal, Finance, and Development, each under a British Secretary with a Cyrenaican deputy, who is a member of the Administrative Council. Three of the deputies have been appointed. The Council is, therefore, the training ground for a future Executive Council into which it can be transformed at the appropriate time.

(ii) Association in local administration.—The proclamation giving formal recognition to the municipalities of Benghazi, Barce and Derna, the three principal townships in Cyrenaica, has been agreed with the Emir and now awaits promulgation.

(iii) Association in the legal system.—Three Cyrenaican Assistant Mutassarifs are being appointed as members of the standing Military Courts, which have jurisdiction in matters affecting Proclamation Law. Ahliya (Peoples') courts have been set up at four towns.

(iv) Association of individuals and the training of others with a view to their later employment in the Administration.

Owing to the dearth of locally qualified men for employment in the higher administrative appointments and in technical posts, the emphasis (as recognised by the Working Party) must be for the present on training. Apart from the three deputy secretaries, mentioned above, six Cyrenaicans have been appointed to higher posts in the Administration, and seventeen have been attached to Europeans for training in one or both of the aspects of administration.

The present stage in the implementation of the Working Party's recommendations for the closer association of the Cyrenaicans with the Administration is, therefore, almost complete. Details are at Items 1-10 of Annex "A".

(b) Reconstruction and Port Clearance.

Rapid progress has been made in the restoration of wells and cisterns, a project which the Working Party stressed was of vital importance, in a land of scanty rainfall whose inhabitants are predominantly pastoralists, and many nomadic. Repairs to electricity and water supplies in urban areas are also proceeding at a satisfactory rate and steps have been taken to obtain such new plant as is required. Clearance and demolition of bombed buildings in Tobruk has been completed, and authority to grant necessary loans to owners to rebuild their houses has been given to the Administration. Work is well advanced on the erection of the new township outside the old town which is to house some of the 15,000 former inhabitants evacuated during the war. This will prevent overcrowding the reconstructed old township.

The minor essential repairs to Benghazi Harbour recommended by the Fleet Civil Engineer, who, as suggested by the Working Party, undertook a comprehensive survey of the port, have now been completed and the Administration has been authorised to proceed with repair work on one of the principal mole in the harbour, the preservation of which the Fleet Civil Engineer stressed was vital if the harbour was not to be irreparably damaged. Further approval has also been given to a repair and development scheme recommended by the F.C.E. on a considerably larger scale than envisaged in the Working Party Report, involving total expenditure of the order of £110,000.

Work on the clearance of wrecks in the harbour at Benghazi and Tobruk is proceeding slowly: the poor weather conditions and the lack of skilled labour and materials are the limiting factors. No estimate can yet be given for the completion of this work.

A survey of the harbour at Derna is being undertaken and no immediate repair work is considered necessary at the present stage. Activity in the port has increased and facilities for the present traffic are adequate. After discussions on the political, economic and military aspects of the Benghazi-Barce-Solluck Railway it has now been decided that the railway should be re-opened.

Details of the measures for reconstruction, port clearance and the development of communications are at Items 11-15 of Annex "A".
(c) Development of Social Services.

Most of the Working Party's recommendations for the expansion of the education services in Cyrenaica have already been implemented. 50 Egyptian teachers have been selected and have signed contracts and they are posted to the territory as soon as accommodation has been prepared. 30 teachers are now working in schools. The appointment of a Libyan Assistant Director of Education awaits the discovery of a suitable candidate. Approval for the establishment of a Trade School has now been granted and accommodation is being sought. The institution of school meals for children under seven has been welcomed by the inhabitants.

Shortage of accommodation and staff and the time taken to complete repairs and renovations to existing buildings have somewhat delayed the implementation of the Working Party's recommendations for the further expansion of medical services but this has had no ill-effects for, as emphasised by the Working Party, the services at present provided are of a comparatively high standard. The buildings required for training schools are, however, now complete, except for the walls which have to be erected around female quarters. The Emir himself has recently expressed surprise and gratitude for the excellent medical services which have been provided for the Cyrenaicans. The necessary equipment has been procured but not yet distributed. A school for nurses and midwives is due to open this month but recruits are not yet readily forthcoming. The Emir has promised to invoke the support of the women once the schools are open. The schools for dispensers and dressers are functioning but there is a shortage of teaching staff.

Details of the development of the social services are at Items 29-40 of Annex "A".

(d) Trade and supplies.

The supply of consumer goods has improved, in particular increases in the tea and sugar rations have been possible and adequate quantities of low-priced textiles are now available, all items of prime importance to the Cyrenaicans.

Where possible, restrictions on trade have been eased, but the policy of non-discrimination under the Washington Loan Agreement has rendered it impossible to grant open general licences for imports.

The Working Party were concerned lest the export trade in sheep (one of the territory's main assets) should suffer through shipping difficulties. Events, however, have proved that the assistance of the military shipping authorities was not required. The trade has increased and shipping has been arranged mainly through commercial channels.

The B.M.A have not yet been able to interest Cyrenaicans in the establishment of small industries but efforts will continue and suitable persons encouraged by means of loans from the Administration.

The loans have been approved in principle but as yet no demands for them have been considered by the Administration.

Details of trade and supply matters are at Items 23-26 of Annex "A".

(e) Development of agriculture, forestry and veterinary services.

As recommended by the Working Party, expert advisers were despatched to the territory to report on the various long-term aspects of agricultural development. The Reports submitted by Sir Herbert Stewart, Mr. Maitland and Dr. Fowler have been closely considered in conjunction with the Working Party's suggestions. This has entailed a certain amount of delay in drawing up the final proposals.

However, the majority of their proposals have now received approval and it will be possible to put in hand these long-term development measures. Meanwhile, some immediate steps have already been taken, namely, the establishment of agricultural, horticultural, barley and hill farms, research stations, the development of demonstration gardens, and irrigation on the coastal plain, the settlement of 20 Cyrenaican farmers in the hill farms and Barce Plain, and small scale afforestation at Barce and Derna.

Details are at Items 16-22 of Annex "A".

(f) Staffing.

The recommendations of the Working Party have been adopted as extensively as possible. Mr. A. L. Kirkbride, late Chief Secretary, Aden, has been seconded to the War Office and appointed as Chief Administrator. Where possible, Arabo-speaking officers are being recruited for other officer grade posts as vacancies arise. A new wage structure has been authorised for Cyrenaicans with improved salaries and revised gradings based on the Trans-Jordan scales.

Details are at Items 41-45 of Annex "A".
5. There is every evidence that the Emir and the Cyrenaicans are appreciative of what has been done, and their good-will has been retained not only by the very substantial earnest of our intentions but also by the prospect of benefits to come.

6. With regard to the future, the early movement of troops from Palestine to Cyrenaica in considerable numbers is a complicating factor. Although the Cyrenaicans will not be slow to appreciate the wealth brought into the territory in consequence, yet their nationalistic aspirations will on the other hand make them quick to resent any proprietary attitude. Moreover, careful co-ordination will be required to ensure that, in view of the very limited resources, the substantial requirements of the Services (in particular the Army and Air Force) for accommodation, amenities, materials and labour do not retard or hinder the programme of civil rehabilitation and development, the energetic prosecution of which it is essential to continue.

E.S.

THE WAR OFFICE,
26th February, 1948.

ANNEX “A”

DETAILS OF PROGRESS OF WORKING PARTY’S RECOMMENDATIONS FOR CYRENAICA

RECOMMENDATIONS

1. The immediate promotion of seven suitable Cyrenaicans to the higher ranks of the Administration.

2. The attachment of 21 trainee assistants to European personnel in the Administration.

3. Scholarship scheme for technical and administrative posts.

4. Formal recognition of the powers of the three chief municipalities and the encouragement of their financial autonomy.

5. Avoidance of too hasty formalisation of small local councils.

6. Recasting of certain regulations to permit a greater share by Cyrenaicans in the Administration.


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PROGRESS

1. (a) Five appointments have been made, i.e., three Assistant Mutassarifs* in Benghazi, Barce and Derna Districts, one Assistant Controller of Posts and Telegraphs, and one Commandant of Police.

(b) Three out of four Deputy Secretaries have been appointed, i.e.:
- Deputy Secretary for the Interior
- Deputy Secretary for the Development
- Deputy Financial Secretary
- Appointment of a Deputy Legal Secretary is still to be made.

2. Seventeen of the 21Trainee posts have been filled, i.e., Head Clerk in the Secretariat, District Judges, Assistant Land Registrar, etc.

3. Two Candidates have been proposed for Public Health and Veterinary training in the Sudan. One candidate has completed his course in Telegraphy training in the Sudan and now holds a post in the Department of Posts and Telegraphs.

4. The Proclamation giving formal recognition to the powers of the Municipalities of Benghazi, Barce and Derna awaits promulgation. This will empower the municipalities to pass bye-laws and will increase their financial responsibility.

5. No action required.

6. Financial regulations have been revised and Arab sub-accountants have been appointed at Barce and Derna. Increased Magisterial Powers await the revision of the legal system which will be considered by the Administrative Council. Three Libyan Mutassarifs are soon to be appointed members of the Standing Military Court.

7. Ahliya (peoples’) Courts have now been set up in four towns with increased powers and jurisdiction.

* A Mutassarif is an Arab District Agent responsible for one of the three Districts of Benghazi, Derna and Barce. Under British Military Administration these functions were carried out by Senior Civil Affairs Officers.
RECOMMENDATIONS

8. The Emir to be offered the alternative of:

(a) An Advisory Council to form the germ of an executive council based on selected members of the Mejlis Idari (Administrative Committee) of the Jabha el Wataniya (National Front) with inclusion in the Council of five ex-officio members.

(b) An Advisory Council of four to six persons nominated by the Emir, but independent of the Jabha el Wataniya, which will remain a purely political association representing Cyrenaican opinion.

Discussions with the Emir indicated his preference for alternative (b).

9. Reorganization of central administration under four secretaries, Legal, Interior, Development, and Finance, with appropriate departments grouped under them.

10. The Emir to be invited to take up his residence in Cyrenaica, but not to be pressed if his conditions for doing so are dependent upon assurances unacceptable to His Majesty's Government.

11. A more progressive policy of public works to include (a) the rapid restoration of wells and cisterns in grazing areas, repair of urban electricity and water supplies, rehabilitation plan for Tobruk, (b) greater priority for engineering works programme, greater use of sub-contractors, larger works to be offered for tender abroad.

12. Measures to prevent further deterioration of Benghazi Port.

13. Revival of activity at Derna.

14. Railway to be reopened experimentally provided that costs over those of care and maintenance can be largely recovered.

PROGRESS

8. An Administrative Council under the Presidency of the British Chief Secretary, established on 22nd December, 1947. Membership consists of four Libyan Deputy Secretaries, four British Secretaries, plus one elected by the Chief Administrator and one by the Emir.

9. The re-organized Central Administration under four secretaries, Legal, Interior, Development and Finance came into being on 1st January, 1948.

10. The Emir returned to Benghazi on 21st November, 1947. He is at present living at Leyte.

11. (a) Restoration of wells and cisterns is two-thirds completed. In order to control stock movements care has to be taken to plan which wells and cisterns should first be restored.

(b) Plant for improving urban water and electricity supplies is being obtained.

(c) Work on Tobruk township progresses very satisfactorily.

(d) Clearance and demolition of bombed buildings in Tobruk is now completed.

(e) The main drainage scheme has been completed.

(f) The saline water supply is now working. (There is no fresh water in Tobruk. This is at present brought by tanker from Alexandria.)

(g) The Administration has been given authority to grant loans to inhabitants wishing to rebuild their property in Tobruk and good progress in rebuilding is being made by local property owners.

(h) Clearance of the many dangerous and badly damaged buildings in Benghazi is proceeding.

(i) Local contractors are employed to the full on these demolition and repair schemes, and the larger works, such as the F.C.E. scheme, for the repair and rehabilitation of Benghazi Harbour will be offered for tender abroad.

12. Minor essential works, advocated by the Fleet Civil Engineer have been completed and approval has been granted for work to begin on immediate repairs on one of the principal moles up to the full recommendation of the Working Party. Work is at present held up owing to bad weather. A fuller scheme recommended by the F.C.E. over and above the Working Party's proposals and involving an overall expenditure of some £110,000 has now been approved.

13. The present condition of the harbour is considered suitable for the shallow draught vessels which at present use it.

14. After examination it was found that it would be uneconomical and almost impossible to carry out this experiment on a short term basis. Following discussions in the War Office and at G.H.Q. M.E.L.F., it has now been decided, in view of the move of troops from Palestine, that the railway is desirable for military as well as for civil purposes and the necessary financial approval for its full re-opening has been obtained.
RECOMMENDATIONS

15. Encouragement to road transport companies.

16. The establishment of agricultural, horticultural, barley and hill farms research stations.

17. A survey of water resources.

18. A "District Extension Scheme" of short-term development covering demonstration gardens, irrigation on the coastal plain, the importation of seeds and implements, recovery of neglected vineyards and similar measures.

19. The progressive settlement of Arab farmers on ex-Italian holdings on the Barce Plain and in the Jebel, with technical guidance and loan assistance on co-operative lines.

20. Limited reafforestation pending a survey of requirements.

21. The extension of veterinary services by repair of the hospital and the establishment of clinics, quarantine stations and mobile dispensaries.

22. A token provision for a livestock improvement programme to be formulated.

23. Steps to hasten delivery of allocated textiles.

24. The issue of "blanket" licences for the import of all goods from the sterling area (except certain scheduled commodities).

25. The organization of the export of sheep in co-operation with the military shipping authorities.

26. The creation of a fund for making loans to industry.

27. The relief of the destitute and of war-distressed from the grants made to municipalities.

PROGRESS

15. Efforts to obtain permission for the Cyrenaica Bus Company to operate to Egypt started in December, 1946, but with no success to date.

16. The detailed proposals submitted by the Territory have now been approved.

17. Financial approval has been obtained for the completion of an immediate survey by an experienced irrigation engineer.

18. Mobile pumps have been purchased to assist the irrigation of the coastal gardens and the issue of seeds on loan is being arranged. Extra attention is being given to this scheme in an effort to supply military needs for vegetables in the near future. A team of eleven Cyrenaican gardeners and pruners are now operating on the Barce Plain areas, including vineyards and orchards.

19. The scheme is in operation and the first phase has been completed. Twenty tenants were settled on the Barce Plain during 1947 and are cultivating their land satisfactorily. Work has commenced on a further 53 houses for Arab settlement during 1948. A co-operative society has been formed to recover loans of £E.10 per tenant and has been made by the Society. The cost of ploughing and seeding will be recovered in kind after the next harvest. The Cyrenaicans have responded well to this project.

20. Small scale afforestation has been started outside Barce and Derna from funds provided in the current year's Estimates. The Forest Officer has inspected areas suggested by Mr. Maitland (Forestry Expert) and is preparing detailed plans. To-date 15,000 trees have been planted in Barce and Derna (unfortunately 6,000 of the latter were washed away by heavy floods).

21. Detailed proposals for the extension of the veterinary services have not yet been completed, due to changes of staff in the Territory.

22. Approval has been given to proposals based on the report of the expert adviser called in by the Administration to examine the problem.

23. Delay in delivery is due to the time taken to convert the allocation of yarn into piece goods and cannot be reduced. However, only a small part of the total requirements is now supplied in the form of allocations from the U.K. Quantities of cheap textiles have been purchased from Japan and the supply position in Cyrenaica is now satisfactory.

24. Policy of non-discrimination under Art. 9 of the Washington Loan Agreement renders inadmissible any open general licence for imports from the sterling area. Open general licences for imports from any other source are also inadmissible because of the over-riding necessity for economy in foreign exchange.

25. Exports during 1947 have far exceeded 1946 figures. Though the B.M.A hired an L.C.T. from the Admiralty and assisted to a small extent in the shipment of sheep to Egypt, events have now proved that the assistance of the military shipping authorities is not required.

26. No success has yet been attained in encouraging Cyrenaicans in the establishment of local industries, but efforts continue. Approval in principle has been given for the Administration to make loans.

27. This is being catered for under existing municipal arrangements. Destitute persons are adequately provided for—B.M.A. has given assistance in the form of blankets and rations. In addition an Arab Child Welfare Committee has been formed under the presidency of an English lady.
RECOMMENDATIONS

28. An early enquiry into the cost of living and basic wages.

29. A scheme of teacher training.

30. The temporary importation of teachers from Egypt and the Levant.

31. The appointment of a Libyan as Director of Education.

32. The provision of scholarships tenable abroad.

33. The establishment of a trade school.

34. Certain expansion of existing schools, female education and boarding facilities.

35. The temporary institution of school meals for pupils under seven.


37. The establishment of training schools for nurses, midwives, dispensers and dressers.

38. The removal of Barce civil hospital to more suitable premises and early completion of other necessary repairs.

39. The provision of two mobile dispensaries and additional radiological equipment.

40. The encouragement of voluntary welfare activities.

41. The extension of existing secondments to B.M.A. where necessary.

42. The offer of permanent or contractual employment under the British Government to suitable officers now temporarily filling key posts.

43. Adoption of the system of secondment to fill the balance of vacant posts.

44. The introduction of a small scale of Displaced Persons, subject to the consent of the Emir.

PROGRESS

28. An increase from 10 to 12 piastres a day has been approved for the lowest paid workers following an investigation into the cost of living.

29. The Egyptian teachers college at Giza were unable to arrange for a two-year teacher training course in their curricula. It is, therefore, proposed to open a training school in Benghazi to cater for the 15 selected Cyrenaican trainees whom it is intended to send abroad. The arrival of four qualified Egyptian instructors has enabled a start to be made in this work.

30. Thirty-six Egyptian teachers have now arrived and are working in schools in Benghazi, Barce and Derna. The remainder who have signed contracts will be moved to the Territory as accommodation is prepared.

31. The appointment awaits the discovery of a suitable candidate.

32. Owing to the political situation in Palestine it has not been possible for the three Cyrenaicans to take up training in the Police School.

33. This has been authorised and accommodation is being sought.

34. First Year Secondary classes have been started in Benghazi and Derna.

35. This scheme is being carried out with great success and is much appreciated by the Cyrenaicans.

36. All proposals have been approved with the exception of the preparation of a small-pox hospital on which further details are required from the Administration.

37. The buildings are now complete except for the erection of enclosing walls around the female quarters. Schools for nurses and midwives are due to open this month. Two British nurses have arrived and pupils are being recruited. Schools for dispensers and dressers are functioning, but there is a shortage of staff.

38. The new civil hospital, including the medical officers' quarters have been completed and the hospital is functioning in its new premises.

39. One mobile dispensary is already operating in rural areas, and if it proves its usefulness a second will be obtained.

40. Two British Red Crescent Society workers are now in the Territory. They are running a maternity clinic and child welfare centres. The scheme is financed by the society. Local communities take a great interest in this type of work, which will be expanded at a later date.

41. This is being done where possible.

42. It has been possible to put this into effect in only one case so far. There are ten other officers who would like permanent or contractual employment under the British Government, but it is difficult for a Government Department to consider them for permanent or semi-permanent posts when they will be unable to perform the duties of such appointments because they are required to remain in Cyrenaica. They have been invited to apply for Colonial Service appointments, and it is hoped that the Colonial Office may be able to consider the offer of suitable appointments to them.

43. Mr. A. L. Kirkbride, late Chief Secretary, Aden, has been seconded to the War Office and commissioned for the appointment of Chief Administrator, Cyrenaica. In addition three Colonial Cadets are now serving the Administration. It is hoped to secure other qualified permanent officials from Palestine.

44. Seventeen Royalist Yugoslavs are already employed. Other D.P.'s. in Egypt and Italy have to be screened in Germany before they can be employed, and they would present a serious problem should it be necessary to deport them subsequently.
**Recommendations**

45. The application of Transjordan salaries to the new higher posts for Cyrenaican officials, and a general realignment with comparable Transjordan gradings.

46. An additional expenditure of £124,500 before 30th June, 1948, and the provision of a further sum of £289,650 in 1948 for the implementation of our proposals.

47. The recovery of £37,000 a year of the above from repayment of loans and other receipts.

48. An attempt to secure the Emir’s co-operation in raising £70,000 a year new revenue through the introduction of direct taxation by the imposition of a herd tax and a dwelling contribution.

49. Increases in the fees for trading licences and in the duty on exported sponges, and the charge of a fee on the registration of firearms.

50. The issue of new postage stamps to bring in £30,000.

51. The substitution of a double budget, one British and one Arab, for the existing form of Estimates, as a step towards financial autonomy.

52. Publication of a statement of policy.

53. A Parliamentary statement giving assurances regarding the policy of His Majesty’s Government towards Cyrenaica.

54. Speed in decision on the Working Party’s Report and in the implementation of approved recommendations.

**Progress**

45. A new wage structure has been authorized for Cyrenaicans with improved salaries and revised gradings based on the Transjordan scales.

46. (a) The proposals recommended by the Working Party were considered to entail expenditure up to 30th June, 1948, of the order of £300,000. With the exception of one or two minor items in respect of which further reports have been requested from the Administration, financial approval has been accorded to all the Working Party recommendations, total expenditure agreed to-date being:

<table>
<thead>
<tr>
<th>Recurring</th>
<th>Non-recurring</th>
</tr>
</thead>
<tbody>
<tr>
<td>£66,786</td>
<td>£220,031</td>
</tr>
</tbody>
</table>

(b) In addition, approval in principle has been given to the following expenditure:

<table>
<thead>
<tr>
<th>Recurring</th>
<th>Non-recurring</th>
</tr>
</thead>
<tbody>
<tr>
<td>£3,100</td>
<td>£13,460</td>
</tr>
</tbody>
</table>

(c) The increased rates of pay approved for local staff based on the Transjordan scales will also involve additional expenditure up to £20,000.

47. Additional revenue is beginning to accrue as anticipated by the Working Party.

48. The Emir informed the Working Party that he was averse from the imposition of direct taxation until the future of the country has been settled. M.E.L.F. consider it to our advantage to continue the indirect taxation at present imposed since it gives us a much better yield than can be expected from direct taxes for two or three years during which assessment lists are being effectively compiled. However, they propose to take up the question of an animal and dwelling tax with the Administrative Council.

49. Proposals to increase the trade licence fee and impose a business profits tax which have been drawn up by the Administration are now being examined. Sponge licence fees and export duties have already been increased and legislation has been provided for fees to be charged for the registration of firearms.

50. All details of the required design have been passed to the Crown Agents who are arranging the printing. A high priority for the printing has been arranged.

51. Following the Working Party’s recommendations for a double budget framed for internal circulation only, a budget in Arabic is being prepared for local use which will achieve the purposes that the Working Party had in mind.

52. It was agreed in London that no statement should be made on the lines suggested by the Working Party.
I circulate a note on the more important statistics relating to the economic situation which have become available since my last Fortnightly Report (C.P. (48) 50).

R. S. C.

Treasury Chambers, S.W. 1, 28th February, 1948

I.-Man-power

Employment in cotton spinning and coal mining increased in February. The number at work in cotton spinning rose to 97,950 in the second week of February. The number on the colliery books increased from 718,000 at the beginning of the year to 722,000 in the third week of February—an average rise of 570 a week.

II.-Production

2. The index of industrial production (1946 = 100) for December was 117 compared with 106 in December 1946. For the year 1947 as a whole industrial production is estimated at 9 per cent. higher than in 1946.

Interim index of total industrial production

Average 1946 = 100

<table>
<thead>
<tr>
<th>Month</th>
<th>1947</th>
<th>1946</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>106</td>
<td>89</td>
<td>+19.0</td>
</tr>
<tr>
<td>February</td>
<td>85</td>
<td>95</td>
<td>-11.0</td>
</tr>
<tr>
<td>March</td>
<td>99</td>
<td>97</td>
<td>+1.8</td>
</tr>
<tr>
<td>April</td>
<td>105</td>
<td>96</td>
<td>+10.3</td>
</tr>
<tr>
<td>May</td>
<td>110</td>
<td>101</td>
<td>+8.9</td>
</tr>
<tr>
<td>June</td>
<td>116</td>
<td>98</td>
<td>+18.0</td>
</tr>
<tr>
<td>July</td>
<td>108</td>
<td>96</td>
<td>+12.8</td>
</tr>
<tr>
<td>August</td>
<td>105</td>
<td>94</td>
<td>+12.2</td>
</tr>
<tr>
<td>September</td>
<td>116</td>
<td>106</td>
<td>+9.6</td>
</tr>
<tr>
<td>October</td>
<td>121</td>
<td>110</td>
<td>+9.2</td>
</tr>
<tr>
<td>November</td>
<td>122</td>
<td>111</td>
<td>+9.5</td>
</tr>
<tr>
<td>December</td>
<td>117</td>
<td>106</td>
<td>+10.2</td>
</tr>
</tbody>
</table>

34996
Coal

3. For the first seven weeks this year output of deep-mined coal averaged 3.95 million tons a week—286,000 tons a week (or 7.3 per cent.) greater than during the corresponding period last year. Output per manshift is being maintained at about 1.10 tons—nearly 4 per cent. greater than in January 1947.

4. Production of opencast coal has risen to 204,000 tons in the last week of February.

Production of deep-mined coal

<table>
<thead>
<tr>
<th>Month</th>
<th>1948</th>
<th>1947</th>
<th>Percentage change</th>
<th>1948</th>
<th>1947</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st week</td>
<td>3,942</td>
<td>3,780</td>
<td>+4.3%</td>
<td>1.09</td>
<td>1.07</td>
<td>+1.9%</td>
</tr>
<tr>
<td>2nd week</td>
<td>4,012</td>
<td>3,745</td>
<td>+7.1%</td>
<td>1.10</td>
<td>1.07</td>
<td>+2.8%</td>
</tr>
<tr>
<td>3rd week</td>
<td>3,934</td>
<td>3,710</td>
<td>+6.0%</td>
<td>1.09</td>
<td>1.07</td>
<td>+1.9%</td>
</tr>
<tr>
<td>4th week</td>
<td>3,965</td>
<td>3,626</td>
<td>+9.3%</td>
<td>1.11</td>
<td>1.06</td>
<td>+4.7%</td>
</tr>
<tr>
<td>February</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st week</td>
<td>3,858</td>
<td>3,408</td>
<td>+13.8%</td>
<td>1.09</td>
<td>1.03</td>
<td>+5.8%</td>
</tr>
<tr>
<td>2nd week</td>
<td>3,998</td>
<td>3,651</td>
<td>+8.7%</td>
<td>1.10</td>
<td>1.06</td>
<td>+3.8%</td>
</tr>
<tr>
<td>3rd week</td>
<td>3,925</td>
<td>3,831</td>
<td>+2.5%</td>
<td>1.10</td>
<td>1.07</td>
<td>+2.8%</td>
</tr>
<tr>
<td>4th week</td>
<td>3,878</td>
<td>3,682</td>
<td>+6.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Distributed stocks of coal at 14th February amounted to 14² million tons—9½ million tons more than at the same time last year. More coal is being sent abroad. At present deliveries of coal for export and bunkers are about 200,000 tons a week but it is hoped to raise the amount of coal available for export and bunkers from 15 to 18 million tons in 1948 provided contracts can be negotiated.

Steel

6. 289,000 tons of steel ingots and castings were produced in each of the first two weeks of February. Output of pig iron also increased and amounted to 177,000 tons in the second week of the month. Stocks of pig iron have fallen since the end of 1947 from 452,000 to 402,000 tons but it is expected that they will be maintained at about this level during the next three months. Stocks of scrap continue to fall.

Cotton spinning

7. The output of cotton yarn is rising, and in the second week of February amounted to 15.6 million lbs. Output of cotton yarn this year has been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Week</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>Weekly average</td>
<td>23.7</td>
</tr>
<tr>
<td>1948</td>
<td>January 3</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>&quot; 10</td>
<td>14.7</td>
</tr>
<tr>
<td></td>
<td>&quot; 17</td>
<td>15.0</td>
</tr>
<tr>
<td></td>
<td>&quot; 24</td>
<td>15.1</td>
</tr>
<tr>
<td></td>
<td>&quot; 31</td>
<td>15.2</td>
</tr>
<tr>
<td>February 7</td>
<td>15.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&quot; 14</td>
<td>15.6</td>
</tr>
</tbody>
</table>

Motor Vehicles

8. Production of motor vehicles rose in January. 25,184 passenger motor vehicles were produced and 16,792 of these were for export. 6,144 commercial motor vehicles were produced for export in January—the highest total achieved so far. Output of commercial vehicles for the home market was again lower.

Coal Mining Machinery

9. Production of cutters and conveyors for home use was less in January than in December, but the output of colliery tubs and mining cars rose from 4,649 to 5,160 tons.
III.—Building

10. Since last August, when the first cuts in capital investment were made, fewer houses have been started each month and fewer new contracts for houses awarded. The number of houses completed each month has been greater than the number started and in consequence the outstanding number under construction has been reduced. At the end of January, however, there were 247,000 permanent houses in Great Britain under construction.

11. One effect of the cuts in the house-building programme has been the fall in the demand for bricks. Deliveries of building bricks fell from 463 million in October to 305 million in January and stocks rose from 200 to 427 million.

<table>
<thead>
<tr>
<th>Building Bricks (Millions)</th>
<th>Production</th>
<th>Deliveries</th>
<th>End of Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938 monthly average</td>
<td>650</td>
<td>372</td>
<td>348</td>
</tr>
<tr>
<td>1947 monthly average</td>
<td>467</td>
<td>381</td>
<td>289</td>
</tr>
<tr>
<td>1947 October</td>
<td>388</td>
<td>336</td>
<td>348</td>
</tr>
<tr>
<td>December</td>
<td>386</td>
<td>305</td>
<td>428</td>
</tr>
</tbody>
</table>

IV.—Petroleum Products

12. Total imports of petroleum products have declined steadily since last September but consumption is still at a high level. Stocks continue to fall and are expected to amount to only 2-63 million tons by the middle of April. In consequence largely of the abolition of the basic petrol allowance, consumption of motor spirit has been cut from about 100,000 to 74,000 tons a week, and stocks are not expected to decline any further in the near future. Consumption of gas, diesel and fuel oil has increased steadily during 1947 to 156,000 tons a week in January 1948 and stocks are expected to fall from 844,000 (5½ weeks consumption) to 608,000 tons at the middle of April. The supply position of fuel oil for bunkers in particular is causing anxiety.

V.—External Trade

13. British exports rose in January to a record level of £119-5 million or 28 per cent. in volume above the average of 1938. Exports of metal goods constitute half the value of our exports and were £16 million greater in January 1948 than in January 1947. Exports of textiles at £23-4 million were only £4-2 million more than a year ago.

14. Imports also rose in value in January to £161-8 million and were greater than in any month except last August and September.

<table>
<thead>
<tr>
<th>January 1948</th>
<th>July 1947</th>
<th>January 1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m.</td>
<td>£m.</td>
<td>£m.</td>
</tr>
<tr>
<td>Total imports</td>
<td>161-8</td>
<td>179-2</td>
</tr>
<tr>
<td>Food, drink and tobacco</td>
<td>68-7</td>
<td>82-0</td>
</tr>
<tr>
<td>Raw materials</td>
<td>51-4</td>
<td>50-4</td>
</tr>
<tr>
<td>Manufactures</td>
<td>39-2</td>
<td>39-2</td>
</tr>
<tr>
<td>Exports of United Kingdom produce</td>
<td>119-5</td>
<td>110-3</td>
</tr>
<tr>
<td>Metal goods</td>
<td>58-1</td>
<td>54-5</td>
</tr>
<tr>
<td>Textiles</td>
<td>23-4</td>
<td>19-2</td>
</tr>
<tr>
<td>Other manufactures</td>
<td>22-7</td>
<td>23-4</td>
</tr>
<tr>
<td>Re-exports</td>
<td>5-4</td>
<td>4-3</td>
</tr>
</tbody>
</table>

VI.—Balance of Payments

15. The heavy rate of drain on reserves recorded in January continued in the first three weeks of February. During this period it amounted to £37 4 million, that is, at a rate of £12 3 million per week; or only very slightly less than £400 million, or £12 2 million per week.
in January when the drain during the whole month amounted to £57 ½ million. Once again the special factors noted in the previous report have been operative; there have been heavy payments to Canada, Belgium has continued to take gold (£11 million since the beginning of the year) and drawings by India and Pakistan have been large. It now appears that the total drain in the first two months may be around £110 million. This is much in excess of the rate of loss estimated for the first half of the year in the paper on the Dollar Programme in 1945 (C.P. (48) 35); viz. £222 million. But the special factors already mentioned, which have contributed to this excess, are either non-recurring or are likely to be much diminished in future. For example, India and Pakistan have already drawn practically all they are entitled to in the first half of this year under our recent agreements. It is hoped that the drain to Belgium will cease. Very little more should be paid to Egypt. Finally it should be possible to claim from South Africa reimbursement for the dollars made available to her since 1st January. Precise details of these amounts are not yet known but the total may be as large as £10 million.

16. Though it is likely, therefore, that the total net drain in the first half-year will be larger than the estimate of £222 million in C.P. (49) 35 the excess should be considerably less than would be implied by the rate of drain in the first two months.

Total net drain on reserves(*)

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>January</td>
<td>57 ½</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>93</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>43</td>
</tr>
</tbody>
</table>

(*) Including drawings on United States and Canadian credits and the International Monetary Fund.

VII.—Bilateral Negotiations

17. Since the date of my last report, negotiations have been concluded with Denmark, India and Pakistan. Negotiations are continuing with Brazil, Belgium, Finland, Poland, Yugoslavia, Turkey, S.C.A.P. (Japan), Mexico, the Russian Zone of Germany and Iceland. There follow notes on the principal negotiations which have been concluded or are in an advanced state.

India and Pakistan

18. Agreement has been reached with both India and Pakistan which extends the August 1947 Agreement until 30th June, 1948. Our main object was to ensure that India's drawings on the central gold and dollar reserves should not in fact exceed whatever amount might be agreed, and various methods of doing this were discussed. In the result we have accepted arrangements which will give us earlier information of the actual drawings (and receipts) and provide for immediate consultation if they appear to be running away.

19. Of the £20 million agreed as the estimate of India's net hard currency requirements in the first six months of 1948, we have agreed to provide £10 million, but this includes (a) £1 million overdrawn by Indian banks in 1947, (b) a composition for the balance of the Post-War Dollar Fund, to which India was entitled. Any excess over the estimate will be met by India, drawing as necessary on the International Monetary Fund, and she will also draw (if there is no excess) from an additional £5 million as a "cushion." We have agreed to India's drawing down £18 million sterling from her balances during the period. India will relax her restrictions on the import of certain classes of United Kingdom exports in easy supply. Pakistan has agreed to limit her drawings on the central gold and dollar reserves to £3 ½ million in the first half of 1948, and to a release of £9 million from the sterling balances in the period additional to the sum of about £4 million carried forward for the 1947 release. Pakistan has also been allowed a working balance of £10 million sterling, India being allowed to retain the whole £20 million provided in August.
Denmark

20. Negotiations have been concluded and an agreement announced. Since we could not give them a dollar ration, the Danes reduced their offer of butter to 40,000 tons, the price remaining at 321/6d. per cwt. In addition, we obtained 22,000 tons of bacon at 225/-d. per cwt. and various other useful food-stuffs. In return we supply, inter alia, 870,000 tons of coal and 50,000 tons of steel.

Finland

21. We have reached agreement except on timber prices. We should get 190,000 tons of chemical pulp, 125,000 standards of softwood and useful quantities of other timber products. In return, we are proposing to supply 500,000 tons of coal (including a small quantity of coke) and 55,000 tons of steel in the year ending 31st March, 1949. The Finns are not asking for dollars this year. In 1947 we provided them with $25 million.

Poland

22. The general lines of a trade agreement with Poland are almost settled. We shall receive food-stuffs to the value of between £7½ million to £8½ million in 1948, including useful quantities of bacon, eggs, poultry and fruit pulp. We may also receive some timber. In return we are assisting them to obtain a commercial credit of £6 million so that they may place contracts for capital goods over the next eighteen months. The Poles are also planning to buy £20 million of other goods and we have agreed to facilitate supplies of tinplate, sisal, crude oil, rubber and copper, the latter in exchange for lead and zinc. We are not giving them dollars.

VIII.—Prices

Retail prices

23. The interim index of retail prices was unchanged in January at 104 (17th June, 1947 = 100).

Prices in the United States

24. The recent sharp fall in commodity prices in the United States was arrested on 14th February and prices have increased slightly since then. Moody’s index of staple commodity prices (31st December, 1931 = 100) was 413 on 1st March compared with 411 a month before and 418 a year ago. March wheat futures at Chicago were quoted at $2.53 a bushel on 1st March compared with $3.13 a bushel on 12th January.

IX.—Wage Rates

25. The overall index of weekly wage rates (June 1947 = 100) remained unchanged in January at 104. The indices for both men and for women showed a rise of 4 per cent. since June 1947 but rates for juveniles have risen by 6 per cent. Increases in wage rates in cotton spinning and manufacturing and in wool and silk manufacture raised the index for textiles from 101 in December to 103 in January and the index for clothing from 100 to 102.
### APPENDIX

**INTERIM INDEX OF INDUSTRIAL PRODUCTION**

**Average 1946 = 100**

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Manufacturing industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>1946</td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>89</td>
</tr>
<tr>
<td>February</td>
<td>85</td>
</tr>
<tr>
<td>March</td>
<td>97</td>
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<tr>
<td>April</td>
<td>96</td>
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<tr>
<td>May</td>
<td>101</td>
</tr>
<tr>
<td>June</td>
<td>98</td>
</tr>
<tr>
<td>July</td>
<td>98</td>
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<tr>
<td>August</td>
<td>64</td>
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<tr>
<td>September</td>
<td>103</td>
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<tr>
<td>October</td>
<td>110</td>
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<tr>
<td>November</td>
<td>111</td>
</tr>
<tr>
<td>December</td>
<td>106</td>
</tr>
<tr>
<td>1947</td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>106</td>
</tr>
<tr>
<td>February</td>
<td>85</td>
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<tr>
<td>March</td>
<td>99</td>
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<tr>
<td>April</td>
<td>105</td>
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<td>May</td>
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<tr>
<td>June</td>
<td>116</td>
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<td>July</td>
<td>108</td>
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<tr>
<td>August</td>
<td>105</td>
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<tr>
<td>September</td>
<td>116</td>
</tr>
<tr>
<td>October</td>
<td>121</td>
</tr>
<tr>
<td>November</td>
<td>122</td>
</tr>
<tr>
<td>December</td>
<td>117</td>
</tr>
</tbody>
</table>

(1) Total industrial production including supplies and equipment for the Armed Forces.

(2) Adjusted for variations in the number of days (excluding Sundays) in each month. No adjustments have been made for public and other holidays or for seasonal factors.

(3) Open-cast coal production is included in building and contracting.

(4) The provisional figures for this group may be revised as more data become available. The figures for individual months of 1946 are less reliable than those for subsequent months since the data available for 1946 were less complete.
### Table 2

<table>
<thead>
<tr>
<th>Production</th>
<th>Deep-mined</th>
<th>Open-cast</th>
<th>Overseas</th>
<th>Stocks</th>
<th>Wage earners</th>
<th>Output per</th>
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<tr>
<td></td>
<td></td>
<td></td>
<td>shipments</td>
<td>Total</td>
<td>on colliery</td>
<td>miner/overall</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>and bunkers</td>
<td></td>
<td>undertakings</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly averages</td>
<td>End of period</td>
<td>Weekly averages</td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td>Thousand tons</td>
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<td></td>
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</tr>
<tr>
<td>1946 October</td>
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<td></td>
<td>890</td>
<td>10,876</td>
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<td>156</td>
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<td>2,138</td>
<td>699</td>
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<td>3,511*</td>
<td>119*</td>
<td>131*</td>
<td>8,466</td>
<td>1,510</td>
<td>692*</td>
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<td>127</td>
<td>122</td>
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<td>692</td>
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<td>148</td>
<td>112</td>
<td>5,465</td>
<td>1,728</td>
<td>703</td>
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<td>3,760*</td>
<td>135*</td>
<td>85*</td>
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<td>2,066</td>
<td>718</td>
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<td>6,000</td>
<td>2,485</td>
<td>715*</td>
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<td>213*</td>
<td>100*</td>
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<td>3,317</td>
<td>717*</td>
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<td>257*</td>
<td>25*</td>
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<td>3,581</td>
<td>719</td>
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<tr>
<td>July</td>
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<td>220</td>
<td>93</td>
<td>12,020</td>
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<td>719</td>
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<td>99</td>
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<td>3,729</td>
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<td>111*</td>
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<td>98</td>
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<td>714</td>
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<td>December</td>
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<td>193*</td>
<td>125</td>
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<td>3,729</td>
<td>715*</td>
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<td>147</td>
<td>156</td>
<td>18,246</td>
<td>3,449</td>
<td>720</td>
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</table>

* Average of five weeks.

### Steel and cotton

#### Table 3

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<tr>
<th>Steel ingots and castings</th>
<th>Steel sheets</th>
<th>Pig iron</th>
<th>Pig iron</th>
<th>Scrap</th>
<th>Cotton yarn</th>
<th>Employment in cotton spinning(*)</th>
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<tbody>
<tr>
<td>Production</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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</tr>
<tr>
<td>Thousand tons</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946 October</td>
<td>245*</td>
<td>25-2*</td>
<td>156*</td>
<td>912</td>
<td>687</td>
<td>14-10*</td>
</tr>
<tr>
<td>November</td>
<td>264</td>
<td>25-4*</td>
<td>154</td>
<td>809</td>
<td>656</td>
<td>14-11</td>
</tr>
<tr>
<td>December</td>
<td>236</td>
<td>21-6</td>
<td>153</td>
<td>856</td>
<td>618</td>
<td>12-24</td>
</tr>
<tr>
<td>1947 January</td>
<td>240*</td>
<td>26-3*</td>
<td>150*</td>
<td>844</td>
<td>589</td>
<td>12-71*</td>
</tr>
<tr>
<td>February</td>
<td>266</td>
<td>21-4</td>
<td>128</td>
<td>814</td>
<td>534</td>
<td>6-33</td>
</tr>
<tr>
<td>March</td>
<td>185</td>
<td>22-7</td>
<td>123</td>
<td>784</td>
<td>531</td>
<td>12-89</td>
</tr>
<tr>
<td>April</td>
<td>236*</td>
<td>26-3*</td>
<td>139*</td>
<td>697</td>
<td>502</td>
<td>12-94*</td>
</tr>
<tr>
<td>May</td>
<td>244</td>
<td>25-9</td>
<td>142</td>
<td>658</td>
<td>503</td>
<td>12-55</td>
</tr>
<tr>
<td>June</td>
<td>234</td>
<td>27-3</td>
<td>144</td>
<td>611</td>
<td>484</td>
<td>12-56</td>
</tr>
<tr>
<td>July</td>
<td>212*</td>
<td>25-2*</td>
<td>143*</td>
<td>604</td>
<td>499</td>
<td>12-97*</td>
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<tr>
<td>August</td>
<td>234</td>
<td>19-9</td>
<td>147</td>
<td>578</td>
<td>468</td>
<td>12-60</td>
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<td>September</td>
<td>266</td>
<td>24-6</td>
<td>150</td>
<td>522</td>
<td>419</td>
<td>12-94</td>
</tr>
<tr>
<td>October</td>
<td>275</td>
<td>26-0*</td>
<td>161*</td>
<td>474</td>
<td>379</td>
<td>14-40*</td>
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<td>November</td>
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<td>27-6</td>
<td>166</td>
<td>451</td>
<td>353</td>
<td>14-80</td>
</tr>
<tr>
<td>December</td>
<td>245*</td>
<td>28-5</td>
<td>163*</td>
<td>482</td>
<td>375</td>
<td>13-46</td>
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<tr>
<td>1948 January</td>
<td>281</td>
<td>27-3</td>
<td>168</td>
<td>417</td>
<td>354</td>
<td>14-60*</td>
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<tr>
<td>Week ended—January 3</td>
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<td>163</td>
<td>452</td>
<td>373</td>
<td></td>
<td>12-92</td>
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<tr>
<td>10</td>
<td>266</td>
<td>163</td>
<td>451</td>
<td>371</td>
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<td>12-74</td>
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<td>17</td>
<td>264</td>
<td>169</td>
<td>440</td>
<td>362</td>
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<td>14-58</td>
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<tr>
<td>24</td>
<td>263</td>
<td>179</td>
<td>432</td>
<td>354</td>
<td></td>
<td>13-19</td>
</tr>
<tr>
<td>31</td>
<td>267</td>
<td>169</td>
<td>417</td>
<td>354</td>
<td></td>
<td>12-24</td>
</tr>
<tr>
<td>February 7</td>
<td>289</td>
<td>174</td>
<td>409</td>
<td>351</td>
<td></td>
<td>15-36</td>
</tr>
<tr>
<td>14</td>
<td>289</td>
<td>177</td>
<td>402</td>
<td>348</td>
<td></td>
<td>15-60</td>
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</table>

* Number actually at work on cotton and spun rayon. Cotton Board figures.

(*) Average of five weeks.
### Table 4: Production of motor vehicles and coalmining machinery

<table>
<thead>
<tr>
<th>Year</th>
<th>Passenger motor vehicles</th>
<th>Commercial motor vehicles</th>
<th>Coalmining machinery: Deliveries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Salters</td>
<td></td>
</tr>
<tr>
<td></td>
<td>For export</td>
<td>For home market</td>
<td>For export</td>
<td>For home use</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Monthly averages or calendar months(*)</td>
<td>Number</td>
<td>Tons(*)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1938</td>
<td>5,684</td>
<td>1,189</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>11,747</td>
<td>14,923</td>
<td>4,653</td>
<td>5,458</td>
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<tr>
<td>November</td>
<td>11,383</td>
<td>13,786</td>
<td>4,784</td>
<td>5,346</td>
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<tr>
<td>December</td>
<td>11,973</td>
<td>14,916</td>
<td>3,831</td>
<td>3,910</td>
</tr>
<tr>
<td>1947</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>11,475</td>
<td>13,620</td>
<td>4,069</td>
<td>3,035</td>
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<tr>
<td>February</td>
<td>4,300</td>
<td>5,317</td>
<td>1,110</td>
<td>1,429</td>
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<tr>
<td>March</td>
<td>9,986*</td>
<td>12,057*</td>
<td>7,429*</td>
<td>7,845*</td>
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<td>11,356</td>
<td>12,858</td>
<td>3,719</td>
<td>2,834</td>
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<td>14,235</td>
<td>4,725</td>
<td>3,974</td>
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<tr>
<td>June</td>
<td>13,750*</td>
<td>15,508*</td>
<td>5,457*</td>
<td>5,203*</td>
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<td>July</td>
<td>12,557</td>
<td>12,341</td>
<td>3,635</td>
<td>3,090</td>
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<td>August</td>
<td>11,493</td>
<td>9,960</td>
<td>3,334</td>
<td>2,733</td>
</tr>
<tr>
<td>September</td>
<td>10,378*</td>
<td>10,653*</td>
<td>5,089*</td>
<td>5,160*</td>
</tr>
<tr>
<td>October</td>
<td>17,504</td>
<td>8,683</td>
<td>5,021</td>
<td>5,070</td>
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<tr>
<td>November</td>
<td>15,809</td>
<td>8,177</td>
<td>5,102</td>
<td>5,032</td>
</tr>
<tr>
<td>December</td>
<td>15,225*</td>
<td>9,747*</td>
<td>5,948*</td>
<td>5,803*</td>
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<tr>
<td>1948</td>
<td>10,792</td>
<td>8,392</td>
<td>6,144</td>
<td>7,380</td>
</tr>
</tbody>
</table>

(*) Prior to March 1947 the figures relate to calendar months. From March 1947 onwards the figures are totals for four and five weeks. The five-week periods are marked with an asterisk.

(\*) Carrying capacity.

### Table 5: Building—all permanent houses in Great Britain(\*)

<table>
<thead>
<tr>
<th>Year</th>
<th>New contracts</th>
<th>On contract but construction not begun* (end of period)</th>
<th>Construction began</th>
<th>Under construction (end of period)</th>
<th>Houses completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945 and 1946</td>
<td>380,068</td>
<td>114,564</td>
<td>291,522</td>
<td>265,065</td>
<td>203,711</td>
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<tr>
<td>1947</td>
<td>22,717</td>
<td>123,465</td>
<td>9,674</td>
<td>10,714</td>
<td>8,847</td>
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<td>13,852</td>
<td>127,104</td>
<td>6,637</td>
<td>7,037</td>
<td>5,729</td>
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<td>13,030</td>
<td>8,045</td>
<td>8,926</td>
<td>6,884</td>
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<tr>
<td>March</td>
<td>12,503</td>
<td>125,606</td>
<td>16,730</td>
<td>16,579</td>
<td>16,216</td>
</tr>
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<td>120,183</td>
<td>20,049</td>
<td>19,916</td>
<td>19,659</td>
</tr>
<tr>
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<td>12,841</td>
<td>112,947</td>
<td>20,049</td>
<td>19,916</td>
<td>19,659</td>
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<tr>
<td>June</td>
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<td>125,606</td>
<td>16,730</td>
<td>16,579</td>
<td>16,216</td>
</tr>
<tr>
<td>July</td>
<td>16,267</td>
<td>125,606</td>
<td>16,730</td>
<td>16,579</td>
<td>16,216</td>
</tr>
<tr>
<td>August</td>
<td>15,809</td>
<td>8,177</td>
<td>5,102</td>
<td>5,032</td>
<td>5,032</td>
</tr>
<tr>
<td>September</td>
<td>15,225*</td>
<td>9,747*</td>
<td>5,948*</td>
<td>5,803*</td>
<td>5,803*</td>
</tr>
<tr>
<td>October</td>
<td>17,504</td>
<td>8,683</td>
<td>5,021</td>
<td>5,070</td>
<td>5,070</td>
</tr>
<tr>
<td>November</td>
<td>15,225*</td>
<td>9,747*</td>
<td>5,948*</td>
<td>5,803*</td>
<td>5,803*</td>
</tr>
<tr>
<td>December</td>
<td>16,267</td>
<td>125,606</td>
<td>16,730</td>
<td>16,579</td>
<td>16,216</td>
</tr>
<tr>
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<td>10,792</td>
<td>8,392</td>
<td>6,144</td>
<td>7,380</td>
<td>5,160</td>
</tr>
</tbody>
</table>

(*) New and war-destroyed houses built by local authorities, by private builders under licence, by housing associations and by Government departments. Aluminium houses are excluded.

(\*) Allowance has been made for tenders notified as withdrawn and for licences issued to private builders notified as having lapsed, which at the end of January 1948 together amounted to 6,815.
### Table 6: Petroleum Products

<table>
<thead>
<tr>
<th>Period</th>
<th>Total petroleum products</th>
<th>Motor spirit</th>
<th>Gas, diesel and fuel oil</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Arrivals</td>
<td>Indigenous production</td>
<td>Deliveries into consumption in U.K.</td>
</tr>
<tr>
<td></td>
<td>Weekly average</td>
<td></td>
<td>Weekly average</td>
</tr>
<tr>
<td>1938...</td>
<td>223</td>
<td>8.6</td>
<td>208</td>
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<tr>
<td>1947 January</td>
<td>187</td>
<td>12.3</td>
<td>259</td>
</tr>
<tr>
<td>February</td>
<td>189</td>
<td>10.0</td>
<td>245</td>
</tr>
<tr>
<td>March</td>
<td>236</td>
<td>10.0</td>
<td>277</td>
</tr>
<tr>
<td>April</td>
<td>175</td>
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<td>283</td>
</tr>
<tr>
<td>May</td>
<td>217</td>
<td>9.8</td>
<td>259</td>
</tr>
<tr>
<td>June</td>
<td>253</td>
<td>9.3</td>
<td>301</td>
</tr>
<tr>
<td>July</td>
<td>274</td>
<td>6.9</td>
<td>297</td>
</tr>
<tr>
<td>August</td>
<td>288</td>
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<td>314</td>
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<tr>
<td>October</td>
<td>292</td>
<td>7.5</td>
<td>308</td>
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<tr>
<td>November</td>
<td>296</td>
<td>8.5</td>
<td>300</td>
</tr>
<tr>
<td>December</td>
<td>276</td>
<td>9.0</td>
<td>288</td>
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<tr>
<td>January 1948</td>
<td>248</td>
<td>294.2</td>
<td>3,635</td>
</tr>
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</table>

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### Footnote
1. Excluding quantities held by garages, industrial and commercial consumers and by the Services at advanced depots.
2. As of 31st August, 1939.
3. Average of five weeks.

### Table 7: Exports and Imports of the United Kingdom

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<th></th>
<th>Exports of United Kingdom produce</th>
<th>Imports (c.i.f.)</th>
<th>Volume index(*)</th>
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<td>Total exports</td>
<td>Metal goods</td>
<td>Textiles</td>
</tr>
<tr>
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<td>£ million</td>
<td></td>
<td></td>
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<tr>
<td>October</td>
<td>91.4</td>
<td>42.0</td>
<td>17.5</td>
</tr>
<tr>
<td>November</td>
<td>91.8</td>
<td>41.8</td>
<td>19.5</td>
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<tr>
<td>December</td>
<td>83.6</td>
<td>40.4</td>
<td>17.0</td>
</tr>
<tr>
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<td>91.8</td>
<td>42.1</td>
<td>19.2</td>
</tr>
<tr>
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<td>76.0</td>
<td>35.7</td>
<td>16.1</td>
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<td>62.6</td>
<td>37.2</td>
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<td>82.7</td>
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<td>89.7</td>
<td>42.8</td>
<td>19.0</td>
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<td>83.9</td>
<td>44.5</td>
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<tr>
<td>July</td>
<td>110.3</td>
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<tr>
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<td>98.6</td>
<td>49.4</td>
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<tr>
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<td>110.2</td>
<td>53.7</td>
<td>21.4</td>
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<tr>
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<td>119.5</td>
<td>58.1</td>
<td>23.4</td>
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*Quantities revalued at 1938 prices and expressed as a percentage of the monthly average in 1938.*
### Table 8: Reserves and Liabilities

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<th>Date</th>
<th>Total gold and dollar reserves</th>
<th>Gold</th>
<th>United States dollars</th>
<th>Canadian dollars</th>
<th>Unused credits</th>
<th>Net sterling liabilities(1)</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Total golldan and d Gold United Canadian To hard To other To sterling States dollars United Canadian currency non-sterling areasp) countries(3)</td>
<td>unused credits</td>
<td>Net sterling liabilities(1)</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>1,742-6(*) 526-1</td>
<td>31-8</td>
<td>8-7</td>
<td>930-5</td>
<td>245-5(*) 834-4</td>
<td>746-9</td>
</tr>
<tr>
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<td>1,697-2 569-3</td>
<td>97-3</td>
<td>11-0</td>
<td>781-6</td>
<td>191-1</td>
<td>... ... ...</td>
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<tr>
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<td>77-8</td>
<td>16-3</td>
<td>781-6</td>
<td>180-4</td>
<td>385-9(<em>) 730-4(</em>) 2,473-0(*)</td>
</tr>
<tr>
<td>December</td>
<td>1,621-6 597-8</td>
<td>54-9</td>
<td>7-1</td>
<td>781-6</td>
<td>191-1</td>
<td>385-9(<em>) 730-4(</em>) 2,473-0(*)</td>
</tr>
<tr>
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<td>25-7</td>
<td>3-8</td>
<td>657-5</td>
<td>151-4</td>
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</tr>
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<td>421-8</td>
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<td>385-9(<em>) 754-9(</em>) 2,324-0(*)</td>
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<td>5-1</td>
<td>99-3</td>
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<td>385-9(<em>) 754-9(</em>) 2,324-0(*)</td>
</tr>
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<td>6-2</td>
<td>99-3</td>
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<td>404-1(<em>) 745-1(</em>) 2,314-7(*)</td>
</tr>
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<td>576-0 455-8</td>
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<td>65-6</td>
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<td>3-1</td>
<td>24-8</td>
<td>65-6</td>
<td></td>
</tr>
</tbody>
</table>

(1) Excluding loans to and by His Majesty's Government and holdings of the International Bank and Monetary Fund.
(2) Western Hemisphere, Sweden, Switzerland, Belgium and Portugal.
(3) Including Egypt.
(4) Revised.
(5) Provisional.

### Table 9: Prices and Finance

<table>
<thead>
<tr>
<th>Index of export prices(1)</th>
<th>Index of import prices</th>
<th>Index of wholesale prices</th>
<th>Index of agricultural prices</th>
<th>Index of retail prices</th>
<th>United States prices</th>
<th>Currency circulation(2)</th>
<th>Yield on 2% Consols</th>
<th>Small savings world average</th>
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<tbody>
<tr>
<td>1938 = 100</td>
<td>1938/38 = 100</td>
<td>1947 = 100</td>
<td>1949 = 100</td>
<td>$ a bushel</td>
<td>£ million</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>183</td>
<td>144</td>
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<td>1-346</td>
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<td>1-357</td>
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<td>219</td>
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<td>248</td>
<td>179</td>
<td>245</td>
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</tr>
<tr>
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<td>245</td>
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<td>209</td>
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</table>

(1) Exports of United Kingdom produce.
(2) Average estimated circulation with the public.
Index of weekly wage rates

June 1947 = 100

<table>
<thead>
<tr>
<th>Month</th>
<th>All industries</th>
<th>Agri-</th>
<th>Mining and quarry-</th>
<th>Chemical, brick, pottery, &amp;e.</th>
<th>Engineering, shipbuilding and other metal industries</th>
<th>Textiles</th>
<th>Clothing</th>
<th>Other manufacturing industries</th>
<th>Building, civil engineering, and electrical installation</th>
<th>Transport</th>
<th>Public utilities</th>
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<td>September</td>
<td>96</td>
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<td>December</td>
<td>104</td>
<td>113</td>
<td>100</td>
<td>101</td>
<td>101</td>
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<td>101</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>103</td>
</tr>
<tr>
<td>January</td>
<td>104</td>
<td>113</td>
<td>105</td>
<td>101</td>
<td>101</td>
<td>101</td>
<td>101</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>103</td>
</tr>
</tbody>
</table>

Based on rates at the end of the month.
PREPARATION OF LEGISLATION FOR THE 1948-49 SESSION

MEMORANDUM BY THE LORD PRESIDENT OF THE COUNCIL

THE Committee on Future Legislation have considered in consultation with the Ministers concerned and with Parliamentary Counsel, what preparatory work on legislation for the 1948-49 Session should now be put in hand, without prejudice to the decisions which the Cabinet will have to take later in the year on the final content of The King's Speech. In carrying out this task we have thought it desirable to consider also what legislation it will be necessary or desirable to pass in the 1949-50 Session, which will be the last (possible) of this Parliament.

2. We have assumed that the 1948-49 Session will run from October 1948 to August 1949, and that the 1949-50 Session will run from October 1949 to the Dissolution. We recognise that if the Parliament Bill does not become law in the current Session our proposals will have to be readjusted.

3. In accordance with the procedure followed last year our proposals cover only major and medium-sized Bills; but we are collecting information about minor Bills and we hope that the Cabinet will authorise us to arrange for some work on the preparation of Bills of this class to be done during the next six months. When the final programme for 1948-49 comes to be settled it will also have to include the usual annual Bills (e.g., Finance Bill, Expiring Laws Continuance Bill) and a certain number of essential Bills, the need for which cannot be foreseen at present. In particular we may conceivably be faced with the need for substantial amendment of some of the major measures passed in the first three Sessions of this Parliament (e.g., the Coal Industry Nationalisation Act, the National Health Service Act, the National Insurance Act).

4. We have paid special regard to the following points:

(a) A substantial number of Bills should be ready for introduction as soon as the new Session begins and the bulk of the programme should be ready for introduction before the Christmas Recess.

(b) The Government cannot expect to carry through a heavy programme of legislation in the 1949-50 Session and any major Bills in the 1949-50 Programme must be ready for introduction not later than October 1949.

(c) Too heavy a burden of legislation should not be placed on any one Department.

5. We recommend that the provisional programme of major and medium-sized Bills for the 1948-49 Session should be:

(a) Bills to be ready for introduction in October 1948

(i) Major Bills—
- Legal Aid.
- Legal Aid (Scotland).
- Iron and Steel.
- Water (Scotland).
- Criminal Justice (Scotland).
- Magistrates' Courts.
- Sea Fish Industry.
(ii) Medium-sized Bills—
  Wireless Telegraphy.
  Coast Protection.
  Patents and Designs.
  Civil Defence (short Bill).
  Licensing.
  Pests.
  Milk (Special Designations).
  Motorways.

(b) Bills to be ready for introduction before Christmas 1948

(i) Major Bills—
  Agricultural Marketing.
  Food Policy.
  Housing.
  Housing (Scotland).
  National Parks and Amenities.
  Cable and Wireless.

(ii) Medium-sized Bills—
  Nurses.
  War Damage (Public Utilities).
  Breaking-up of Streets.
  Superannuation.

Notes on these Bills are given in Annex I.

6. We would draw the attention of the Cabinet to the following points:—

(a) First drafts of the Iron and Steel Bill and the Milk (Special Designations) Bill have already been prepared.

(b) We have authorised the Ministers concerned to give instructions to Parliamentary Counsel on the Legal Aid Bill, the Wireless Telegraphy Bill and the Coast Protection Bill and have agreed that the Secretary of State for Scotland should take the preparation of the Legal Aid (Scotland) Bill, the Water (Scotland) Bill and the Criminal Justice (Scotland) Bill. So far as can be foreseen, these Bills are certain to figure in the 1948-49 Programme.

(c) The inclusion of a Sea Fish Industry Bill in the 1948-49 Programme will depend on the decisions reached by the White Fish Industry Committee and the Cabinet on the proposals of the Fisheries Ministers for reorganising the white fish industry.

(d) We had some doubt about the inclusion of the Milk (Special Designations) Bill and the Motorways Bill in the 1948-49 Programme on the ground that any considerable use of the powers to be conferred by these Bills in 1949 or 1950 would create demands for pasteurisation machinery and for civil engineering resources which could not be met. We were, however, assured by the Minister of Food that any demands for pasteurisation machinery would arise only gradually and by the Ministers of Transport and Town and Country Planning that the early enactment of the Motorways Bill was most desirable in order to enable the routes of future motorways to be planned and protected against encroachment.

(e) Two of the most important Bills in the 1948-49 Programme will be the Agricultural Marketing Bill and the Food Policy Bill. It was suggested to us that these Bills might conceivably be combined, but it may be inexpedient to attempt to include so much in a single Bill. We think it important that the questions of policy connected with these measures should be brought before the appropriate Cabinet Committee and the Cabinet as soon as possible.

(f) The Home Secretary urged us to include in the 1948-49 Programme a Sports Grounds (Licensing) Bill which would require sports grounds accommodating large crowds to be licensed in the interests of public safety. In his view the Government ought to take steps to avoid a recurrence of the accident which took place at Bolton in 1940 by giving effect to the recommendations made in the report on that accident. As against this it should be noted that the risk of a further accident does not seem to be very great and that the proposed Bill would not be welcome to football clubs or their supporters.
7. We ask the Cabinet to note that the following Bills (notes on which are given in Annex II) may have to be included in the 1949–50 Legislative Programme:

(a) **Major Bills**
- Rent Control.
- Merchant Shipping (Safety at Sea).

(b) **Medium-sized Bills**
- General Medical Council.
- Dentists.
- National Parks (Scotland).
- Libraries (Scotland).
- Shops (Closing Hours).
- Adoption.
- Sugar Industry.
- Land Drainage.
- Limitation of Actions.
- Justices of the Peace.
- Civil Defence (longer Bill).

It will be observed that the list includes a Rent Control Bill to give effect to the recommendations of the Ridley Committee. The Minister of Health considers that it is necessary to legislate on this subject in the lifetime of this Parliament and is satisfied that the Bill could not be ready for inclusion in the 1948–49 Programme. On the other hand, we think that there is much to be said for avoiding what is bound to be a most complicated and controversial Bill in the last Session of this Parliament.

8. Lastly, we wish to stress two general points connected with the preparation of legislation for the last two Sessions of this Parliament:

(a) It is more than ever important that Ministers should make realistic estimates of the time required for the preparation of their Bills and should themselves see that any estimates given are adhered to. In past Sessions we have frequently found that the time required to settle questions of policy has been underestimated and that Ministers at times have shown more energy in urging the claims of their Bills for inclusion in the Legislative Programme than in getting instructions on their Bills sent to Parliamentary Counsel in good time.

(b) The mention of a Bill in this memorandum should not be regarded as authorising the Minister concerned to anticipate The King's Speeches for the next two Sessions by promising that the Bill will be introduced in one or other of these Sessions. In any case this should never be done without consulting the Leader of the House of Commons.

9. To sum up, the Cabinet are invited:

1. To agree that, pending the formulation of a final Legislative Programme for the 1948–49 Session, Parliamentary Counsel should proceed with the preparation of the Bills listed in paragraph 5, in so far as this can be done without prejudice to the demands of the current Session's legislation.

2. To authorise the Committee on Future Legislation to arrange for the preparation of an appropriate number of minor Bills to be ready for introduction in October 1948.

3. To authorise the Committee on Future Legislation to review from time to time the progress made with the preparation of legislation for the 1948–49 Session and to make such minor adjustments in the provisional programme as may seem desirable.

4. To note that the Legislative Programme for the 1949–50 Session will possibly have to include the Bills listed in paragraph 7.

H. M.

*Office of the Lord President of the Council, S.W. 1,
27th February, 1948.*
## ANNEX I

### MAJOR BILLS TO BE READY FOR INTRODUCTION IN OCTOBER 1948

<table>
<thead>
<tr>
<th>Department</th>
<th>Bill</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lord Chancellor's Department</td>
<td>Legal Aid</td>
<td>To implement the Rushcliffe Committee's</td>
</tr>
<tr>
<td>Scottish Office</td>
<td>Legal Aid (Scotland)</td>
<td>recommendations. Estimated number of Clauses:</td>
</tr>
<tr>
<td>Ministry of Supply</td>
<td>Iron and Steel</td>
<td>20.</td>
</tr>
<tr>
<td>Scottish Office</td>
<td>Water (Scotland)</td>
<td>The counterpart of the English Legal Aid</td>
</tr>
<tr>
<td>Scottish Office</td>
<td>Criminal Justice (Scotland)</td>
<td>Estimated number of Clauses: 50.</td>
</tr>
<tr>
<td>Home Office</td>
<td>Magistrates' Courts</td>
<td>To reorganise the iron and steel industry.</td>
</tr>
<tr>
<td>Ministry of Agriculture and Fisheries and Scottish Office</td>
<td>Sea Fish Industry</td>
<td>The counterpart of the English Criminal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Justice Bill. Estimated number of Clauses:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60-70.</td>
</tr>
</tbody>
</table>

### MEDIUM-SIZED BILLS TO BE READY FOR INTRODUCTION IN OCTOBER 1948

<table>
<thead>
<tr>
<th>Department</th>
<th>Bill</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Office</td>
<td>Wireless Telegraphy</td>
<td>To provide for the control of electrical</td>
</tr>
<tr>
<td></td>
<td></td>
<td>interference with wireless telegraphy and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>other services using etheric waves and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>generally to improve and make permanent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the legislation on wireless telegraphy.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Estimated number of Clauses: 20.</td>
</tr>
<tr>
<td>Ministry of Health and Scottish Office</td>
<td>Coast Protection</td>
<td>To assign responsibility for the carrying</td>
</tr>
<tr>
<td>Board of Trade</td>
<td>Patents and Designs</td>
<td>out and maintenance of certain sea defence</td>
</tr>
<tr>
<td>Home Office and Scottish Office</td>
<td>Civil Defence (short Bill)</td>
<td>works and to enable Exchequer grants to be</td>
</tr>
<tr>
<td></td>
<td>Licensing</td>
<td>paid towards the cost of such works.</td>
</tr>
<tr>
<td></td>
<td>Pests</td>
<td>To implement the recommendations of the</td>
</tr>
<tr>
<td>Ministry of Agriculture and Fisheries</td>
<td></td>
<td>Swann Committee. Estimated number of Clauses: 30-40.</td>
</tr>
<tr>
<td>Ministry of Food and Scottish Office</td>
<td>Milk (Special Designations)</td>
<td>To make it compulsory for retailers in</td>
</tr>
<tr>
<td>Ministry of Transport</td>
<td>Motorways</td>
<td>scheduled areas to sell only milk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>conforming to a special designation under</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the Milk (Special Designations) Regulations. Estimated number of Clauses: 15.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To empower highway authorities to construct</td>
</tr>
<tr>
<td></td>
<td></td>
<td>motorways and other roads reserved for</td>
</tr>
<tr>
<td></td>
<td></td>
<td>special classes of traffic.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Estimated number of Clauses: 17.</td>
</tr>
</tbody>
</table>
**MAJOR BILLS TO BE READY FOR INTRODUCTION BEFORE CHRISTMAS 1948**

<table>
<thead>
<tr>
<th>Department</th>
<th>Bill</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Agriculture and Fisheries and Scottish Office</td>
<td>Agricultural Marketing</td>
<td>To give effect to recommendations of the Lucas Committee.</td>
</tr>
<tr>
<td>Ministry of Food</td>
<td>Food Policy</td>
<td>To define the functions of the Ministry of Food and to give permanent statutory authority for the exercise of its power.</td>
</tr>
<tr>
<td>Ministry of Health</td>
<td>Housing</td>
<td>To give effect to the recommendations of the Silkin and Hobhouse Committees.</td>
</tr>
<tr>
<td>Scottish Office</td>
<td>Housing (Scotland)</td>
<td>The counterpart of the English Housing Bill.</td>
</tr>
<tr>
<td>Ministry of Town and Country Planning</td>
<td>National Parks and Amenities</td>
<td>To provide for the establishment of national parks, the improvement of access to the countryside and for the protection of amenities in England and Wales.</td>
</tr>
<tr>
<td>Post Office</td>
<td>Cable and Wireless</td>
<td>To deal with the transfer of Cable and Wireless assets in the United Kingdom to the Post Office and with the incorporation of the Commonwealth Telecommunications Board. The number of Clauses cannot yet be estimated.</td>
</tr>
</tbody>
</table>

**MEDIUM-SIZED BILLS TO BE READY FOR INTRODUCTION BEFORE CHRISTMAS 1948**

<table>
<thead>
<tr>
<th>Department</th>
<th>Bill</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Health and Scottish Office</td>
<td>Nurses</td>
<td>To give effect to the recommendations of the working party on the training and recruitment of nurses and to alter the constitution of the General Nursing Council.</td>
</tr>
<tr>
<td>Treasury</td>
<td>War Damage (Public Utilities)</td>
<td>To provide for a scheme of contributions from and payments to public utility undertakings in respect of war damage.</td>
</tr>
<tr>
<td>Ministry of Transport</td>
<td>Breaking-up of Streets</td>
<td>To give effect to the recommendations of the Carnock Committee on the breaking-up of streets by statutory undertakers.</td>
</tr>
<tr>
<td>Treasury</td>
<td>Superannuation</td>
<td>To amend the Civil Service superannuation code, and in particular to provide for a scheme of pensions for widows and dependants of civil servants and for the premature retirement of inefficient civil servants.</td>
</tr>
</tbody>
</table>

**ANNEX II**

**MAJOR AND MEDIUM-SIZED BILLS WHICH MAY HAVE TO BE INTRODUCED IN THE 1949–50 SESSION**

**(a) Major Bills**

<table>
<thead>
<tr>
<th>Department</th>
<th>Bills</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Health</td>
<td>Rent Control</td>
<td>To give effect to the recommendations of the Ridley Committee.</td>
</tr>
<tr>
<td>Ministry of Transport</td>
<td>Merchant Shipping (Safety at Sea)</td>
<td>To ratify the conclusions of the International Conference on the Safety of Life at Sea to be held in London in 1948.</td>
</tr>
</tbody>
</table>

**(b) Medium-Sized Bills**

<table>
<thead>
<tr>
<th>Department</th>
<th>Bills</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Health and Scottish Office</td>
<td>General Medical Council</td>
<td>To reform the constitution of the General Medical Council, to give the right of appeal to the Courts from General Medical Council decisions, and to prescribe a pro-registration year in hospital for doctors.</td>
</tr>
<tr>
<td>Ministry of Health and Scottish Office</td>
<td>Dentists</td>
<td>To alter the constitution of the Dental Board and to effect changes in dentists' training.</td>
</tr>
</tbody>
</table>

**Department**

Ministry of Agriculture and Fisheries and Scottish Office

Ministry of Food

Ministry of Health

Scottish Office

Ministry of Town and Country Planning

Post Office

Ministry of Health and Nurses

Scottish Office

Treasury War Damage (Public Utilities)

Ministry of Transport

Ministry of Health and General Medical Council

Scottish Office

Ministry of Health and Scottish Office

Ministry of Health and Dental Council

Scottish Office

Ministry of Health and Scottish Office

Ministry of Health and Dentists
<table>
<thead>
<tr>
<th>Department</th>
<th>Bill</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Office</td>
<td>National Parks (Scotland)</td>
<td>To give effect to the recommendations of the Scottish Committee on National Parks. The number of Clauses cannot yet be estimated.</td>
</tr>
<tr>
<td>Scottish Office</td>
<td>Libraries (Scotland)</td>
<td>To amend the existing law relating to libraries in Scotland. Estimated number of Clauses: 15-20.</td>
</tr>
<tr>
<td>Home Office and Scottish Office</td>
<td>Shops (Closing Hours)</td>
<td>To give effect to the recommendations of the Gowers Committee. Estimated number of Clauses: 20.</td>
</tr>
<tr>
<td>Home Office and Scottish Office</td>
<td>Adoption</td>
<td>To give effect to certain recommendations of the Curtis Committee and to amend the Adoption Acts in other respects. Estimated number of Clauses: 90.</td>
</tr>
<tr>
<td>Ministry of Agriculture and Fisheries</td>
<td>Sugar Industry</td>
<td>To give effect to the recommendations of the Gowers Committee. Estimated number of Clauses: 20.</td>
</tr>
<tr>
<td>Ministry of Agriculture and Fisheries</td>
<td>Land Drainage</td>
<td>To give effect to the recommendations of the Tucker Committee. The number of Clauses cannot yet be estimated.</td>
</tr>
<tr>
<td>Lord Chancellor's Department</td>
<td>Limitation of Actions</td>
<td>To give effect to the recommendations of the Royal Commission on Justices of the Peace. The number of Clauses cannot yet be estimated.</td>
</tr>
<tr>
<td>Lord Chancellor's Department</td>
<td>Justices of the Peace</td>
<td>To deal with the general obligations to be imposed on local authorities, public utility undertakings and industry in respect of shelter and other matters.</td>
</tr>
<tr>
<td>Home Office and Scottish Office</td>
<td>Civil Defence (Longer Bill)</td>
<td>The number of Clauses cannot yet be estimated.</td>
</tr>
</tbody>
</table>
SECRET

C.P.(48) 69

27TH FEBRUARY, 1948

CABINET

CZECHOSLOVAKIA

Memorandum by the Secretary of State for Foreign Affairs

I wish to draw the urgent attention of my colleagues to the attached telegram from H.M. Ambassador, Prague (No. 149), giving an appreciation of the present situation in Czechoslovakia. I consider that the concluding paragraphs are of particular interest.

E.B.

Foreign Office, S.W.1.

27th February, 1948.
ANNEX

Copy of Telegram from H.M. Ambassador, Prague, to the Foreign Office, dated 25th February, 1948.

No. 149.

My telegram No. 140.

In determining your attitude to the proposal of M. Bidault and Mr. Marshall, of which my United States colleague has now informed me, it may be useful to you to have an appreciation of the Czechoslovak situation as we see it.

2. The first question is whether the situation is in any way still open. The answer must be explicit and the fact is that by force and intimidation the Communist minority have succeeded under constitutional guise in obtaining control of the country. Steps have included, we suspect, prevention of the President from broadcasting or making his real views known. We are now reliably informed that the President did yesterday approve the new Government but the terms in which he expressed his approval have been withheld from the public. He is said to be very ill and to wish to resign but he is a prisoner in the castle and cannot control his fate.

3. It is true that there is considerable popular indignation but this is organised only amongst the students, who are impotent, and were brutally beaten up by the police and troops yesterday. Five were killed demonstrating their loyalty to the President before the castle. The population as a whole, whoever their love of freedom, are naturally timid and doubtfully defeatist from the memory of the German occupation, are not capable of serious resistance. There is also the feeling that the President and the Socialists contributed to the debacle by miscalculating their opponents' strength and they failed to take effective action last weekend when the initiative still lay with them and before the Communists had had time to mobilise their full resources. Masaryk is almost universally execrated.

4. Therefore, there seems to be slight prospect of reversing or arresting the course of events by representation to the Czechoslovak Government and a general declaration would have even less effect.

5. The second question is whether the continuing process of communisation and anti-Western orientation can be arrested by any action on the part of His Majesty's Government, the United States and the French Governments. There is every indication that the Communists intend rapidly to complete their strangle-hold in the country by the familiar method of purges replacing non-Communists by their own nominees in Government departments and State concerns. There will also
no doubt be the familiar series, of trumped up charges against the anti-Communists, entailing trials and allegations of treason, collaboration with the Western Powers. It will be easier to frame these charges owing to the close relationships which have existed on the part of His Majesty's Embassy and United States Embassy with non-Communist Czech politicians and other prominent Czechs. A foretaste of this has been given in charges which have already appeared in the press against the Consulates of the Western Powers in Bratislava.

6. A weapon which it lies in the power of the United States to consider using is economic. It is true that Czech economics will inevitably suffer from inefficiency resulting from the change in personnel etc., which will presumably make the new regime anxious, if possible, to maintain and increase trade and secure credits from the west. But in my view the threat of economic penalties could not buy the restoration of democracy in Czechoslovakia. On the contrary the new Communist regime is almost certainly prepared to pay the price of curtailing defensive ties with the west in order to force their country into the Soviet economic orbit and quite certainly able to enforce on the population the lower standard of living which this would entail.

7. A strong expression to the usurpers of power in Czechoslovakia of the disgust of the British Government and people, for the methods by which they have acquired and are consolidating the position might make them squirm though it would hardly stop them. French stock is so low here that a French protest would have little effect even amongst anti-Communists. If the Czech Communists and their masters were determined that Czechoslovakia should be the last country to be successfully exploited by Communist technique this might (go, undec.? give) them pause and bring home to them that on this second occasion in a decade the forces of Democracy did not intend that any further European territory should be lost to dictatorship. The warning, however, to be effective in Czechoslovakia would have to be given in Moscow.

(Repeated to Paris and Washington)
CABINET

COMMITTEE ON SOCIAL SERVICES IN WESTERN EUROPE

Note by the Secretary of the Cabinet

In accordance with the Cabinet's decision on 23rd February (C.M. (48) 16th Conclusions, Minute 2) the Prime Minister has arranged for the appointment of a Committee of officials with the following terms of reference:

"To enquire into the relative standards of the social services in western European countries and to consider the possibility of securing a uniform standard in these countries."

2. The composition of the Committee is as follows:

Chairman: Sir Guildhaume Myddin-Evans, Ministry of Labour.

Members: Representatives of -
- Foreign Office
- Treasury
- Scottish Office
- Ministry of Health
- Ministry of Education
- Ministry of National Insurance.

3. The Secretaries of the Committee are Mr. R.J.E. Taylor, Cabinet Office, and Mr. F. Pickford, Ministry of Labour.

(Signed) NORMAN BROOK

Cabinet Office, S.W.1.
1st March, 1948.
CABINET

THE CZECHOSLOVAK CRISIS

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

Conclusions

Czechoslovakia is in process of being absorbed into the Soviet Orbit as a result of a coup d'Etat on typical Communist lines. Action Committees have seized all strategic points in the State with the connivance of the police and armed forces and a purge of the whole country is in progress. We must expect trumped-up charges against our Czech friends and possibly against members of the Western Embassies.

2. This outcome is highly detrimental to our interests, but there is nothing we can do about it in Czechoslovakia itself except to express our disapproval. The French and United States Governments have joined His Majesty's Government in the issue of the declaration of 26th February, at Annan.

3. Subject to the views of the United States and French Governments, we propose to preserve frigid but correct relations with the new Czechoslovak Government and to maintain our contacts with the Czechoslovak people so far as we can. In pursuance of this policy we should not remove our Ambassador from Czechoslovakia any more than we have from other Eastern European countries. We have now heard from the United States Government that they wish to recall their Ambassador from Prague. I intend to discourage this. We should mark our disapproval of the Social Democratic Party who, by joining the Communists, made it possible for the latter to seize power, lest we encourage other continental Socialists (e.g., Signor Nenni) to think they can also aid and abet the Communists with impunity.

4. We should organise our publicity with a view to appearing as strong as we can, lest other friends of Great Britain (e.g., the Scandinavian countries) should be encouraged to think they must compound with the Russians while there is yet time. In the long run we shall only retain our friends if we are strong.

Course of Events in Czechoslovakia

5. The crisis in Czechoslovakia came to a head on 17th February, when M. Gottwald, the Communist Prime Minister, suspended a meeting of the Coalition Government after certain non-Communist Ministers had complained that the Minister of the Interior (also a Communist) had failed to carry out a Cabinet decision annulling the appointments of Communists to positions in the Police Force by which that force was in effect being packed with Communist nominees.

6. On 20th February the Czech Socialist Party, People's Party and Slovak Democrat Ministers, having received no satisfaction, refused to attend a Cabinet meeting and submitted their resignations to President Benes.

7. The Communist Party then issued a statement to the effect that the crisis, which the non-Communist Parties had provoked, involved a threat to public security and that they had discovered a plot against the State. They alleged
that the resigning Ministers had put themselves in the position of a subversive opposition. The Communist Party had therefore decided to mobilise all the forces of the working people in support of the Government.

8. In actual fact, the non-Communist Ministers had of course resigned on the broad issue that majority decisions of the Cabinet were being blocked by the Communists when unacceptable to them.

9. Meanwhile, Communist "Action Committees" were formed all over the country and seized a number of Ministries, public offices, the Prague radio station and the administration of certain towns. The Communist-controlled Ministry of the Interior has published an edict to the effect that any member of an Action Committee can be dismissed by a higher committee if this is recommended by the local committee concerned. Thus the whole machinery of Action Committees can in effect be directed from above. In Slovakia, the non-Communist members of the Slovak Board of Trustees, i.e., the local administration, were arrested and Slovakia thus also came under Communist control through a virtual coup d'État. In both Slovakia and the Czech lands those Trade Unions which were under Communist control were mobilised for action, and in particular the Printers' Union refused to be a party to the printing of any but pro-Communist publications, in this way helping to stifle the free and democratic expression of opinion. The newspapers of the Czech Socialists and People's Parties have been informed that no more paper will be allocated to them. The Communist Minister of Information was able to control the radio. For instance, he successfully prevented the Minister of Food (a Social Democrat) and the Minister of Posts (People's Party) from broadcasting.

10. On 23rd February it was announced that the Czech Social Democrat Party had decided to accept M. Gottwald's offer to them to join the Communists in forming the nucleus of a reconstituted coalition which would not include the resigning Ministers. But this decision was, according to reliable press reports, only announced after the police, under the orders of the Communist Minister of the Interior, had occupied the Party's premises and thrown out those of the leaders who did not wish to co-operate with the Communists.

11. On 25th February it was officially announced that President Benes had accepted the resignations of the non-Communist Ministers and that he had approved a new Government under the leadership of M. Gottwald. In this Government the Communists have taken over all the remaining Ministries necessary to make their control complete, including those of Justice, Foreign Trade and Education. They already held the key Ministries of the Interior (including control of the police), Information, Social Welfare, Finance, Agriculture and Internal Trade. Minor remaining posts have been allotted to the Social Democrats and to some renegade members of the People's Party, and the Czech Socialist Party. The Government includes two "non-party" men, namely, M. Masaryk and General Svoboda, who remain at their posts as Ministers of Foreign Affairs and National Defence respectively. General Svoboda has promised the Communists the support of the armed forces throughout the crisis.

12. A full-scale purge affecting every branch of Czechoslovak life is in progress. President Benes has resisted so far as he could, but he has been powerless, and may, it is rumoured, resign. There has been little or no attempt by the population to resist. The Czechoslovak people were hypnotised by the danger approaching them from the east. M. Masaryk, the Minister for Foreign Affairs, had already lent himself to the Russian manœuvre by advertising the alleged revival of the German danger and by criticising the plans of the Western Powers in Germany, and has finally taken office in the new Government. The leading Social Democrats, including both M. Lusman and M. Fierlinger, have also joined the new Government, though they have little, if any, power.

13. There is no open sign in this of Soviet interference, but we have known for some time that trouble was to be expected from the Communists in Czechoslovakia and the sudden arrival in Prague just before the crisis broke of M. Zorin, a Deputy Soviet Minister of Foreign Affairs and former ambassador in Prague, can hardly have been a coincidence, more especially as he returned to Moscow immediately it was over.
14. It will be seen from the foregoing that the crisis has been artificially and deliberately provoked in Czechoslovakia. The same methods of force and intimidation already exploited in the other Eastern European countries have been used to bring about the suspension of free parliamentary institutions and the establishment of the disguised dictatorship of a single party under the cloak of a Government of National Union. This last point has been made clear in the joint declaration issued on 26th February by the Governments of the United States, France and Britain. It is impossible to regard this as in any way a democratic or parliamentary solution, and the violence of the methods used by the Communists is more than ever significant, seeing that elections to enable the Czechoslovak people to express their real opinions freely were due to be held in the next three months. Some further reflections on the crisis and on the policy which we should now pursue are contained in Mr. Dixon’s telegrams No. 19, Saving, and No. 179, of which copies are to be found at Annexes I and II.

The Lessons of the Czech Crisis

15. Czechoslovakia is now lost to Western Democracy and the Western world except in so far as the Russians, acting through the Czech Communists, allow contacts and trade to continue. If this process is not to be continued still further West it seems desirable that we should analyse the lessons to be drawn from the case of Czechoslovakia in the hope that it may save us from a similar defeat in the case of Italy and perhaps later in France, where our interests would be vitally endangered.

16. The first and most fundamental error of the non-Communists in Czechoslovakia was made two years ago. After the last elections, when the Communists gained over 30 per cent. of the seats in the Czech Parliament and were the strongest party, the non-Communists pushed the Communists forward into the leading positions, assuming that they would be sure to make a mess of government in the difficult post-war period and would be discredited. How they could believe this after what had happened in Poland in 1945 has always been a mystery. The Communists naturally made their control of the Ministry of the Interior a condition for their co-operation and from the moment that the police fell under the control of a Communist Minister the die was cast. It is only fair to say that as the Communists at the elections in the spring of 1946 obtained 30 per cent. of the seats in Parliament, were the largest party, and controlled the principal trade unions, it would have been a difficult decision for President Beneš to take to exclude them from the Government, especially as the understanding reached with the Russians before liberation had been that a National Front to include all the parties would be formed. However, the lesson is there for all to see.

17. In all the countries within the Soviet orbit, including Czechoslovakia, the essential key which the Communists were able to use in order to gain control of the situation has been control of the Police and to a lesser extent of the Armed Forces. Experience shows that it is absolutely impossible for the ordinary processes of democracy to continue if the Communists are able to use the Police to intimidate their opponents and to trump up charges of plots and conspiracies. Therefore the control of the Ministry of the Interior by reliable non-Communists is a primary necessity for any further attempt to resist the spread of Communism elsewhere.

18. Even if the Police and Gendarmerie are under non-Communist control, it is equally essential to ensure that they are not penetrated, or, if some degree of Communist penetration is unavoidable, that the key positions are held by reliable men and that the nerve centres for controlling the forces concerned are definitely secure and can be relied upon in an emergency.

19. Control of the Armed Forces is also essential. In the Czech case, President Beneš would no doubt have been able to regain control of the situation in spite of the police being under Communist control if General Svoboda, the Minister of Defence, had not thrown his lot with the Communists, and prevented the armed forces from taking any part in the crisis, when the Communists took direct action to seize Ministries, towns, &c.

20. The Communist control of the Ministry of Information is another key which the Communists have used with great effect, since it controls broadcasting and the press.
21. The open political methods of the Communists when they are in a coalition Government are shown from the Czechoslovak example to be no less dangerous than their subversive and penetration methods. Even the apparently bourgeois M. Gottwald turns out to be a wolf in sheep's clothing. The Communists used their position in the Czechoslovak Government, as they have done elsewhere, in order to create dissension in other parties, and by spreading and exploiting slanders and false accusations against individual Ministers gradually to eliminate from power all those who were not their stooges. Their current aim in all the countries of Eastern Europe is the creation of a People's Front, which means a Government in which the key positions are held by Communists and in which representatives of other parties who are reliable stooges or fellow travellers take part and give an air of respectability to the whole combination. The Communists attain this state of affairs by various methods, but the result is always the same. Therefore the cardinal error is ever to let them into a Government in the vain hope that they will play the game according to Westminster rules. In countries within the Soviet orbit this has been difficult to avoid, but there is no reason why we should encourage it elsewhere, or encourage or countenance parties (such as Signor Nenni's) which persist in playing the Communist game.

22. One of the points which have gone most against us in Eastern Europe has been the fact that we cannot help our friends there, and that the Russians had armed forces on the spot or in the vicinity and could act whenever they wished to do so. The fact is that continental electorates are impressed by power, and in the East of Europe we have not had power. In Western Europe it may be different. Nevertheless, I think we should draw the lesson from the Czechoslovak crisis and perhaps also from the incidents in the Gulf of Mexico and the Antarctic and avoid emphasising our weakness. It may be economically and even in some respects politically necessary to stress the economies we are making in the armed forces of the Crown, but in foreign affairs it is a very grave disadvantage. If we are strong we shall have friends, and if we are not strong our friends will make the best terms they can with our enemies.

E. B.

Foreign Office, S.W. 1.

3rd March, 1948.

ANNEX I

Copy of telegram (No. 19, Saving) of 27th February, 1948, from His Majesty's Ambassador, Prague, to the Foreign Office

My telegram No. 149.
The following supplementary reflections may be useful:—

2. The most striking feature of the events of the past week is the speed with which they have developed. On 21st February, when the twelve Ministers offered their resignations to the President, parliamentary institutions were still functioning more or less normally and the inroads which the Communists had been able to make on the four freedoms were still comparatively small. Discussions had been going on in committees of the Government and of the National Front about the date of the elections and about the Constitution and there was a general assumption behind all the talk that more or less free elections would in due course be held. Calculations were being made as to how this or that manoeuvre might benefit one party or another for electoral purposes and the politicians of the Right and Centre appeared to be untroubled by any sense of impending calamity. Four days later the dictatorship of the Communist Party over all walks of life had been proclaimed and installed and the Cabinet crisis as such was over. The whole character of the State had been changed in less than a hundred hours.

3. There is naturally some disposition on the part of Czechs generally to blame the leaders of the Czech Socialist and People's Parties for having prepared the trap in which they have been caught; and for having by their resignations gratuitously presented the Communists with their opportunity. Gottwald is himself reported to have said that he blessed the persons who advised the Ministers to resign, and those Social Democrats who have an understanding of the situation and are not followers of Fierlinger are particularly quick to reproach the leaders of the other parties for their responsibility.
4. Such reproaches are wide of the mark. We now know that the meeting of works' councils which had been fixed several days previously for Sunday, 22nd February, had been intended by the Communists to be more than a mere demonstration. It was to have been the first step on the road towards the seizure of power which we have every reason to believe they had been ordered by Moscow to follow. The Czech Socialists and People's Party leaders knew or guessed this to be the case. It was their object by resigning on Friday, 20th February, to capture the initiative from the Communists, disrupt their plans and bring the weight of the presidential authority into the scale before it was too late. They had grounds for being confident that the enterprise would succeed since their information and their hopes were shared with the President and their course of action had his approval, as we now know. If they are to be blamed, it is for not anticipating the force and speed of the Communist reaction and also for placing the whole of their reliance on a man whose health was precarious and whose record showed his resolution to be dubious in a supreme moment of crisis. President Beneš has said before that one of the weaknesses of Czechoslovakia is that it contains too many calculators. On this occasion he himself has been the arch-calculator. The great demonstrations of strength put on at short notice by the Communists on Saturday, 21st February, and Sunday, 22nd February, made a deep impression on him and there can be no doubt that he was even more impressed by the evidence which must have reached him of Russian support. An obvious step would have been to call on the army of which he is commander-in-chief, but I suspect that his calculation was that if he stood by the democratic political leaders to the extent of using the forces of the State the result would have been bloodshed and open Russian intervention, which his whole outlook and temperament made it impossible for him to contemplate.

5. It is unnecessary to have any special knowledge now to realise that the Communists, though the preparations were kept closely secret, must have been prepared for some time to take power by violent means. The events of the last few days make this perfectly clear. The committees of public safety or "Action Committees" as they are called, which have sprung up all over the country and in every department of life, local government, public administration, ministries, universities, factories, workshops, professions, &c., must have been prepared well in advance. The purges have been going on too quickly and smoothly for the lists of victims not to have been already drawn up. The incriminating material allegedly found in the premises of the other parties cannot have been forged at a day's notice. And it must have been some time ago that the Communists perfected the organisation which has enabled them to bring the workers on to the streets at a moment's notice in armed and roughly disciplined formations. Neither the Czech Communists nor the Soviet Government can have expected that the democratic world would fail to understand the blatant and bare-faced character of the coup. If they had wished to throw dust in our eyes matters would have been handled more insidiously and the process of communication would have proceeded as elsewhere in stages. The inference is that the Soviet Government have decided that their interests require immediate and complete consolidation of their position where they are able to impose it, and that they have abandoned any pretence of caring about the opinion of the West.

6. But, if I may risk a generalisation, there still seem to be far too many ordinary Czechs who, though depressed and even disgusted by the prospects, have not yet realised the significance of what has happened and who still cling to the belief that everything will be all right in the end. That is why our publicity and particularly our broadcasts are of such importance.

ANNEX II

Copy of Telegram (No. 179) of 1st March, 1948, from His Majesty's Ambassador, Prague, to the Foreign Office

YOUR telegram No. 2358 to Washington.

Following considerations and recommendations regarding our attitude to new Czechoslovak régime are based on appreciation contained in my telegrams No. 149 and 19, Saving, and on the assumption that Anglo-Czechoslovak relations will inevitably be conditioned by wider issue of relations between Western Great Powers and Soviet Government which evidently cannot remain unaffected by events in Czechoslovakia.
2. The pattern of the coup d'État suggests that objective is complete communisation of the country. The process will probably be more ruthless and bare-faced than anything we have seen in Poland or satellite countries, partly because it will be necessary to trample down tradition and recent connexions of Czechs with the West and Western ideas, and partly because instigators of the coup seem to have been determined that the job must be completed quickly.

3. It seems to me that the immediate crux in relations of new regime with Western Powers may arise on questions of persecuting prominent democratic Czechs and allegations of espionage, &c., against officials Western Powers. If, in the process of eliminating Western influences, the Government do proceed to trials of democrats on charges of treasonable collaboration with Western Powers, this will add greatly to indignation of our public opinion and make it difficult to maintain even a semblance of normal relations with the new Czechoslovak régime though relations of the kind maintained with [group undecipherable] Bulgaria might be maintained.

4. The new Czechoslovak Government have not yet declared their hand in this respect and it is possible that, so long as men like Gottwald and Clementis are in power, some degree of moderation may prevail, but my information is that we must expect real power here to be exerted by men like Slansky (a sadistic [group undecipherable: ?type of] Jew) and Cepicka (a criminal type) and that influence [group undecipherable] westernised figures like Gottwald and Clementis is likely to diminish.

5. The final word will no doubt be given by the Soviet Government who may now feel that they can disregard reaction of Western Powers to proceedings in Czechoslovakia and may indeed be planning to oust us from here. Their object would be to have a freer hand in governing the country and to eliminate what influence they suspect we might be able to exert either by urging moderation on rulers of the country or by maintaining a flicker of resistance among the inhabitants.

6. It would follow that if only to counter objectives of the Soviet Government it would be in our interest to maintain our normal representation as long as we can with Czechoslovak Government. The further positive advantages of doing so are that:

(a) We may be able [omission] immediate future to put, brake on if only in a slight degree.
(b) The mere fact that we are still fully represented here will be an encouragement to decent Czechs, whereas reduction in our representation would be a discouragement. At the moment our prestige with these people stands very high. Withdrawal, which may be a Soviet objective, would of course be deeply discouraging and would, in fact, make the present state of affairs seem to [group undecipherable] Czechs little different from the period of German occupation. We should also in future be reproached with having abandoned Czechoslovakia to her fate.

7. During this interval when Czech leaders may be temporarily sobering up after their heady [group undecipherable: ?success], our right policy seems to be to make them uneasy as to intentions of Western Great Powers. It may be that the best tactics are an ominous silence, but I am now inclined to recommend that the most effective would be for my United States colleague, my French colleague and me, each in our own way and speaking for ourselves, to try to increase any uneasiness on the part of the new Government. I believe that my United States colleague's mind is moving on the same lines. In our own case I would recommend that I might be authorised, on basis of frigid but correct relations, to speak on my own authority to Clementis, the Communist Under-Secretary, on the following lines:

[group undecipherable] I would say that the British public regard what has happened as a barefaced Communist coup d'État.

(2) I would ask him what the foreign policy of Czechoslovakia is and whether the Ministry for Foreign Affairs expects to have any say in the matter.

(3) I would warn him that framed up charges against democratic figures would complete the indignation felt in the West against proceedings here.
(4) I would say that His Majesty's Government are not resting on the declaration of 26th February which merely voiced the immediate reaction of the three Great Powers to events in this country and that the whole question of our attitude towards Czechoslovakia is under consideration. (This would be with the object of reinforcing point (3) and may possibly assist in keeping the Soviet Government guessing as to future moves by the Western Great Powers.)

8. I am telegraphing separately about economic relations, on which I would propose deliberately to leave Clementis guessing. Please pass to Moscow, Paris and Washington as my telegrams Nos. 30, 9 and 6 respectively.

[Repeated to Moscow, Paris and Washington.]
CABINET

THE THREAT TO WESTERN CIVILISATION

Memorandum by the Secretary of State for Foreign Affairs

The fast increasing threat to western civilisation which Soviet expansion represents impels me once again to examine the extent to which the Soviet Government appear to be achieving their aims, together with the steps we should now take in order to frustrate them.

2. As my colleagues will recall, I circulated four papers to the Cabinet at the beginning of January (C.P. (48) 5 - Policy in Germany; C.P. (48) 6 - The First Aim in British Foreign Policy; C.P. (48) 7 - A Review of Soviet Policy; C.P. (48) 8 - Future of Foreign Publicity Policy).

3. It will be remembered (as set out in the Annex and in C.P. (48) 7) that ever since the European Recovery Programme was devised, the Soviet Government have been carrying on a war of nerves and behind it resolutely using the Communist party to achieve dictatorship. It is their intention to endeavour to expand their activities to cover the whole of Europe at the earliest possible date. So far as we are concerned, we have been proceeding on the basis, which we made quite clear to Stalin, that just as the Russians had built up in the east what they called security, we intended to develop a good-neighbourly policy in the west, not aimed against Russia but inspired by the sheer necessity of economic revival and development and of security. I made all this clear in my speech on 22nd January. But, as we foresaw, events have since moved quickly and aggressively, most recently in Czechoslovakia and now in Finland, and I am convinced that we have to go wider than the original friendly intent of our more limited approach to the Benelux countries, with France, on the basis of the Dunkirk Treaty. It has really become a matter of the defence of western civilisation, or everyone will be swamped by this Soviet method of infiltration. I ask my colleagues, therefore, to give further consideration to the whole situation and decide
whether our policy should not now be broadened so that we can proceed urgently with the active organisation of all those countries who believe in parliamentary government and free institutions, and devise methods which will cope with this quickly moving stream of events.

I have set out in the Annex headed "Considerations" in greater detail than in my earlier paper (C.2-J (48) 7) the steps that have been taken by Soviet Russia from the days of the war-time conferences until the present.

There is only one conclusion to draw. After all the efforts that have been made and the appeasement that we followed to try and get a real friendly settlement on a four-power basis, not only is the Soviet Government not prepared at the present stage to co-operate in any real sense with any non-Communist or non-Communist controlled Government, but it is actively preparing to extend its hold over the remaining part of continental Europe and, subsequently, over the Middle East and no doubt the bulk of the Far East as well. In other words, physical control of the Eurasian land mass and eventual control of the whole World Island is what the Politburo is aiming at - no less a thing than that. The immensity of the aim should not betray us into believing in its impracticability. Indeed, unless positive and vigorous steps are shortly taken by those other states who are in a position to take them, it may well be that within the next few months or even weeks the Soviet Union will gain political and strategic advantages which will set the great Communist machine in action, leading either to the establishment of a World Dictatorship or (more probably) to the collapse of organised society over great stretches of the globe.

All our evidence indeed points to the probable staging by the Soviet Government of further efforts in this direction during the next few weeks or months. We cannot be sure where exactly this showdown will take place nor even that it will not occur in several places at once. All we know for certain (since the Cominform has proclaimed it openly) is that its object will be the frustration by one means or another of the European Recovery Programme and the consequent development of a situation in which the Communist cause will triumph in many countries largely as a result of a process of economic decay. But this does not mean that the Soviet Government are determined to have their way whatever the outside world may say or do. There is no reason even now to suppose that it could possibly welcome the World War which would undoubtedly result from its overstepping the mark. It is commonly accepted Communist doctrine that no issue should be forced until the moment is ripe and victory almost certain. If, therefore, the upholders of true democracy and opponents of dictatorship can present a really united front, and if the necessary economic means are made available by those who have them, the danger of war is, in my opinion, not imminent. Indeed it is my considered view that the only danger of war arises from the non-fulfilment of these two conditions. Provided they are fulfilled I believe that Communism will be forced on to the defensive and that for many years at any rate we may look forward to a period of relative calm.

5. On these two "ifs", however, everything depends. As for the second one we can only do our best to assist the passage of the European Recovery Programme through Congress by continuing to warn the Administration of the dangers of delay.

-2-
The first "if" depends very largely on ourselves. If we here, as a nation, are united on the main issue, then additional strength to resist will be imparted to our friends on the continent and, indeed, to our friends all over the world. If, on the contrary, we show evidence of irresolution and divided counsels, there will be a corresponding lack of the will to resist which may have terrible results even if aid should eventually be forthcoming under the European Recovery Programme.

6. Recent events have only brought to a head a fundamental contradiction which has been inherent in European politics at least since the formation of the Third International. It is the contradiction between an imposed solution of social difficulties, which in the last analysis can only mean Dictatorship, and a voluntary, reasoned and human solution which is summed up in all that we mean by the word "Democracy".

7. With a view to stemming any further infiltration of dictatorship, I make the following recommendations to my colleagues:-

**Recommendations**

(1) We should pursue on as broad a basis as possible in co-operation with our French allies, the conclusion of a treaty or treaties with the Benelux countries. We should aim as a matter of great urgency at negotiating multilateral economic, cultural and defensive pacts between the United Kingdom, France and the Benelux countries, which would be left open for accession by other European democracies. (This will be done on the basis of the Cabinet decision approving the recommendations in my earlier paper (C.40) 6.)

(2) Simultaneously with this, the whole problem of the co-ordination of efforts for the cultural, social, economic and financial revival and development of the West and for the defence of western civilisation with the support of all friendly western Powers and of course of the Commonwealth should be proceeded with at once. Having in mind Soviet tactics from Yalta onwards, we should decide what common arrangements can be made and what consultations should be entered into to prevent Soviet tactics succeeding on an even wider basis than hitherto and to halt any further expansion of Soviet dictatorship. The issue upon which we should consult with like-minded countries is not so much that of Communism as of the establishment of dictatorship as against parliamentary government and liberty. In this connection we cannot limit ourselves to Europe. We must bring in the Commonwealth and the Americas, and eventually every country outside the Soviet group.

(3) This would include at an early stage Italy, which is at present the weakest link in the chain of anti-Communist states, but which - if we are to get a really effective western Union - must be brought in. But whether steps should be taken in advance of the April elections, or afterwards, is a matter to be determined. In the meantime we should do everything in our power to assist the parliamentary government of Italy.

(4) If my colleagues agree to this as a policy, then I would ask to be authorised to proceed to discussions with the Commonwealth and, through the diplomatic channels and in every way open to me, with other countries sharing our western
conception of democracy and liberty in order to build up the organisation necessary to give effect to such a policy. In these discussions it would be essential to decide what is required of each western country collectively and individually. This would affect, among other things, defence, the budgetary position, the supply of food and the building up of our economies on an entirely new basis. The division between us at the moment is so deep because Communism is playing such a part in the west, interfering with its economic revival and making consolidation so difficult.

E.B.

Foreign Office, S.V.L.,

3rd March, 1948.
ANNEX

CONSIDERATIONS

I. The Soviet refusal to co-operate with the West

At the beginning of January I circulated to my colleagues a Review of Soviet Policy (CP. (48) 7) summing up the general situation following the breakdown of the Council of Foreign Ministers and arriving at certain conclusions regarding Soviet Policy. That paper showed how the Soviet Government, convinced that the world was divided into two hostile groups of Powers, and determined to organise and to consolidate their own group as rapidly as possible, had disregarded their Treaty obligations and had entrenched themselves in a most ruthless fashion throughout eastern Europe and in the Soviet Zone of Germany. It was also shown how the Russians were determined to see to it that the European Recovery Programme did not succeed and were in process of welding the countries under their influence into a single political, economic and military bloc organised and controlled solely in their interest. As will have been apparent from that paper, all our efforts to arrive at an understanding with the Soviet Government, especially in regard to Germany, have proved unavailing.

In the countries of eastern Europe where we had agreements jointly with the Russians to regulate the post-war situation, we tried very hard to co-operate with them. However, all our efforts were rebuffed and in every case our influence was excluded. In fact anyone in those countries who associates in any way with us is now liable to be accused of plotting against the security of the State and may be tried on a trumped up charge and sentenced with draconian severity. The same methods are now being applied in Czechoslovakia with the object of rooting out all western influence.

I would also draw attention to CP. (48) 5 in which I described the impossibility up to date of reaching any agreement with the Russians regarding Germany, as well as the consequences flowing from the breakdown of the Conference of Foreign Ministers.

From these earlier reviews of the situation, the conclusion was drawn that the Soviet Government, in their attempt to wreck the European Recovery Programme and to consolidate their position in the expectation of conflict with the so-called imperialist powers, would continue their efforts to extend Soviet and Communist influence wherever this could be achieved. It was also made clear that a further Soviet advance at any point on the periphery of the Soviet bloc in western Europe, in Italy, Greece, Turkey, Persia, China (including Manchuria) and Korea, would gravely endanger our interests and relationships. Particular attention is drawn to the conclusion (CP. (48) 7, Conclusion (i)) that "if the Soviet Union secure control of France and French North Africa, of Italy and of Greece, and particularly if they could undermine our position in the Middle East, they would effectively dominate the Mediterranean and could (if they so wished) deprive us of access to extensive markets of raw materials, especially oil, without which our economic recovery would be difficult or impossible and the strategic position both of ourselves and of the United States gravely jeopardised".

-5-
In assessing all the factors beyond those referred to above, which led me to the conclusion that the Soviet Government were not prepared to co-operate with the west, I would draw attention to my efforts from September, 1946, to December, 1947, to negotiate satisfactory peace treaties covering Italy, Roumania, Bulgaria, Hungary and Finland. As is known, during the first half of this period at any rate the Soviet Government, having tabled their demands, refused absolutely to make the slightest concession of any kind in favour of any view held by their three colleagues. Thus, they demanded that the Italian town of Trieste should be handed over to the Yugoslavs and that a boundary between Yugoslavia and Italy should be fixed which not only put the Italians strategically at the mercy of their neighbours, but also left hundreds of thousands of Italians in Yugoslavia and virtually no Yugoslavs in Italy. They likewise demanded large sums in reparation from Italy ignoring the pleas of their colleagues that if this were done it would simply mean that the western allies were themselves paying Italian reparations to Russia. Not content with this, they claimed an excessively large share of the Italian Fleet and were in favour of the Italian armed forces being reduced to a minimum. On most of the economic articles to which their western allies, who had after all suffered together with the Soviet Union from Italian aggression, placed some importance, they adopted an entirely non-co-operative attitude. Finally they originally claimed some say in the administration of Tripoli which they thought might be useful as a Soviet base "for their merchant shipping"; and, though they did not put this forward officially, were hankering after some Soviet naval base in the islands of the Dodecanese. As regards the Balkans, their chief concern seemed to be to prevent the western allies from recovering any real compensation for damage inflicted on their interests in Roumania, and to regaining any say in the administration of the Danube. They further objected violently to any clause in the treaty obliging the ex-enemy Balkan states to accord any "human rights" to their populations and minorities. They also objected strongly to the imposition of any effective machinery whereby ex-enemy States would be obliged to carry out the obligations to which they have subscribed. As regards Bulgaria, they did their best to protect the interests of Bulgaria and to deny to Greece the most elementary claims against the country which above all others had been responsible for stabbing her in the back. Finally, they demanded what was, in the view of the western allies at any rate, quite unjustified sums in the way of reparation from all the countries concerned, including Finland.

It was only after a prolonged "war" of attrition that they yielded sufficiently for any treaties to be signed at all. Even then the Treaties embodied very substantial concessions to the Soviet point of view, involving the creation against the better judgment of the western allies of a Free State of Trieste which, it was clear from the moment of the signature of the Treaties, the Yugoslav Government, backed by the Soviet Government, was determined by one means or another to bring under Yugoslav control. Subsequent to the signature of the Treaties it became also clear that the few points which, as the result of interminable argument during the Conference at Paris had been won from the Soviet Union, such as the insertion of the Human Rights clause in the Balkan Treaties, were being simply ignored by the countries concerned. In other words, except in so far as the major and more indefensible Soviet claims on Italy were successfully resisted, the net result of our effort to co-operate with the Soviet Union in treaty-making has simply resulted, as they always intended, in the total elimination of
western influence behind the iron curtain. Now even the treaty with Finland, which involved the establishment of a Russian base within 10 miles of the Finnish capital, is apparently not enough. A new treaty with Finland has been proposed, which would place that country even more firmly within the Soviet grip.

Nor should it be forgotten that quite apart from the Soviet Government's control of satellite states on their borders, comprising on 1939 figures, without Finland, over 425,000 sq. miles and over 84 million people, and beyond, they have already, as a result of the war, added to the actual territory and population of the Soviet Union in Europe in 1939 figures:

<table>
<thead>
<tr>
<th>Area (sq. m.)</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ruthenia</td>
<td>4,921</td>
</tr>
<tr>
<td>Bessarabia</td>
<td>17,000</td>
</tr>
<tr>
<td>Eastern Poland</td>
<td>69,000</td>
</tr>
<tr>
<td>East Prussia (part)</td>
<td>4,500</td>
</tr>
<tr>
<td>Baltic States</td>
<td>66,716</td>
</tr>
<tr>
<td>Part of Finland</td>
<td>17,512</td>
</tr>
<tr>
<td><strong>Total addition to USSR territory and population</strong></td>
<td><strong>179,649</strong></td>
</tr>
</tbody>
</table>
II. The Soviet Refusal to Co-operate in the United Nations

Further evidence of the failure of co-operation is provided by our experiences in the United Nations. From the outset of its work the United Nations has been handicapped and often stultified by the attitude of the Soviet Union. The most conspicuous examples of Soviet obstruction have of course arisen in the Security Council, and have centred round the use of the veto. The veto was already the main point of dispute between the Great Powers in the original process of drawing up the Charter and founding the United Nations. It is worth making a brief examination of the history of this dispute.

The principal problems in connection with the proposed establishment of the United Nations were first discussed in thorough fashion at Dumbarton Oaks in the autumn of 1944. Before this a preliminary comparison between the views of His Majesty's Government and those of the Soviet Government on the organisation to be set up had revealed an encouraging similarity as regards basic principles, broad aims, membership and structure. In the course of discussions at Dumbarton Oaks and after, however, it soon became apparent that the voting procedure in the Security Council was threatening to become a major bone of contention. The Russian thesis was that no decision of the Security Council of any nature could be taken except with the unanimous consent of all Permanent Members. The United States Government and His Majesty's Government on the other hand argued that if any member of the Security Council, whether a Permanent Member or not, was a party to a dispute (i.e., directly engaged in a dispute which threatened the maintenance of international peace and security or directly involved in a threat of a breach of the peace) it should not be entitled to vote at any stage of the consideration of the dispute by the Security Council. There was no disagreement therefore on the principle of unanimity between the Permanent Members but only on the application of this principle in certain circumstances. Eventually, as is well known, a formula, proposed by the British and United States Governments, which went some way to meet the Soviet view, was agreed upon at Yalta, and is now incorporated in the Charter under Article 27 (3).

There is no denying that the Soviet Government worked hard and made valuable contributions to the establishment of the United Nations, but from the very beginning and more particularly in regard to the veto they insisted that the United Nations could never be used against Soviet interests. Already at San Francisco in April, 1945, M. Molotov, when pledging support for the organisation, had given a clear warning that while the Soviet Union wanted it to succeed, she had other strings to her bow and was quite prepared to turn to other methods for retaining and spreading her influence in the world if the United Nations did not fulfill Soviet expectations.

The veto may be said to be used only when the privileged vote of a Permanent Member of the Security Council prevents the adoption of a proposal which has the support of at least seven of its eleven Members. In this sense, between January, 1946 when the Security Council began its work and to-day, the veto has been used twenty-two times by the Soviet
Union, twice by France, never by China, the United States or the United Kingdom. It was originally contemplated - by the United States and Britain at all events, though the Soviet Union never explicitly accepted this thesis - that the veto would be used only to protect the vital interests of a Great Power. But none of the twenty-two occasions on which Russia has used her veto can be said to conform to this requirement. She has imposed the veto merely to get her way, or to prevent others getting theirs, often on relatively trivial issues and with no regard for the general opinion of the Security Council. Thus in the Syrian and Lebanese case (February, 1946) and the Spanish case (June, 1946) Russia vetoed action by the Council which was in no way opposed to her interests and indeed met many of her requirements, but did not go far enough to satisfy her. She has used the veto in utter disregard of the evidence on a matter of fact (Albanian case, March, 1947). She has used it to prevent the Council from handing a procedural question which most of its Members regarded as such (Spanish case, June, 1947; Greek case, September, 1947). She has used it ten times to prevent the entry into the organisation as new Members of States she does not approve of, and on one occasion at least, expressly described her action as based on considerations which, as the Charter makes clear, are entirely irrelevant to the issue.

Nor is it only Russian use of the veto which has crippled effective work by the United Nations. The threat of its use, or the knowledge that it certainly would be used to prevent such action, has effectively prevented any move for the revision of the Charter, to say nothing of course of any move for the expulsion of Russia or any of her satellites from the Organisation, though it might well be held that some at least of these states had "persistently violated the principles contained in the Charter".

It is true that the Russians themselves have seldom exceeded the literal rights and powers given to them by the Charter. When the Charter was being drawn up, they made it perfectly clear that their main if not their sole concern was to protect their position by a veto. The veto was given them, and they have used it. They have used it for more frequently and cynically than was expected; and they have vigorously rejected all attempts to modify the principles governing its use, or to limit them by custom or a "code of conduct", except in so far as they have acquiesced in the establishment of a custom that abstention by a Great Power in the Security Council does not constitute a veto. Nor does this prevent them from expressing indignation at the criticism to which their use of the veto has exposed them. They claim indeed to be only exercising an undoubted right.

In other respects there is still less justification for Soviet behaviour in the United Nations. They have frequently been guilty of pure obstruction; of attempting to embitter disputes and to fish in troubled waters, and undoubtedly their attitude and that of their satellites in the United Nations has strengthened - though it is by no means exclusively responsible for - the regrettable tendency of the Organisation to consider matters before it not on their merits but in the exclusive light of national policy and the coherence of blocs of states. Even in social and economic questions the Russians have seldom failed to act from...
political motives. The same must be said of the Soviet attitude towards the International Court of Justice. They have regularly endeavoured to limit its sphere, to oppose the reference of any question to it and to reduce the number of questions which might be referred to it for a decision or an advisory opinion.

The Soviet habit of discussing questions not on their individual merits but in relation to general political strategy has led them to use the organs of the United Nations largely for propagandist purposes. This was very conspicuous at the second session of the General Assembly last autumn, notably in connection with "warmongering" and all colonial issues. It has been equally conspicuous in the Russian attitude to the Indonesian dispute before the Security Council. Russian propaganda has led to retaliation in kind, and questions have seldom been handled by the United Nations in the impartial, expert, and practical manner that was hoped for when it was established. Such examination depends on the readiness of Delegations, not necessarily to compromise, but at least to make a genuine exploration of opposing views and to spare no effort to reconcile them. Such an attitude has never been forthcoming from Soviet Delegations to the United Nations. An example of effective United Nations work, of the kind which was hoped for when the organisation was founded, has been given to some extent by the Trusteeship Council. It is impossible to doubt that we owe this example to the fact that the Trusteeship Council has been boycotted by the Russians.

This form of boycott, which goes back to 1916, was extended at the Second Session of the General Assembly in 1947, when the Russians declined to take part in the work of three bodies established by the Assembly against Russian opposition - the present United Nations Committee in the Balkans, the Korean Committee and the Interim Committee. These are the first examples of refusal by a member to participate in the general work of the Organisation, even though such work may have been undertaken in opposition to an individual member's views. It may also be mentioned that when the Persian question was before the Security Council in the spring of 1946, the Russians, when they found the case going against them, first walked out and having returned at a later stage refused to take any part in the discussion.

In the Economic and Social Council and its Commissions, where the Russians have no veto powers they have shown under the appearance of co-operation a tendency towards obstruction whenever the opportunity to air their anti-Western propaganda occurs. There have been occasional exceptions to this, as for example the omission to use, at the Fifth Session of the Council, some promising openings for attacks on the Truman doctrine and "dollar imperialism" generally. In the main, however, it has been the Russian practice to pursue the same obstructive tactics wherever procedural opportunity, however irrelevant. For instance, they persist in regarding as a political issue the question of displaced persons who, they assert, are only deterred from returning to their countries because they are criminals or traitors. Here the Russians and their satellites claim that the resettlement of refugees amounts to nothing less than the exploitation of slave labour by the imperialist powers.

To take a further instance, the Russians have taken
every opportunity to accuse the colonial powers of exploitation. In the Second General Assembly they were responsible for the deletion of the Colonial Application Clause in the Conventions on Traffic in Women and Children; and although the United Kingdom Delegate made it clear that the Conventions had already been applied to our non-self-governing territories, the Russians chose deliberately to misunderstand the restraint self-imposed by our constitutional practice in order to suggest to the world that the United Kingdom was trying to hide a scandalous state of affairs. In the Minorities Sub-Commission at the Council’s Sixth Session, the Russians tried to develop their familiar attacks on Colonial powers; while in the Human Rights Commission their influence has been steadily brought to bear against the conclusion of a Convention on Human Rights.

It is noteworthy that, in the current session at Lake Success of the Economic and Social Council, a strongly-worded counter-attack by the Parliamentary Under-Secretary to the Foreign Office to Russian charges about low living standards in the Colonies has tempered their usual extravagant behaviour, and was directly responsible for a suggestion, put privately by the Russian delegate to the Parliamentary Under-Secretary, that a debate should be avoided altogether on the “Forced Labour” item tabled by the American Federation of Labour.

As regards the Military Staff Committee, the Atomic Energy Commission and Disarmament Commission, it is fair to say that the lack of progress made is due to the determined insistence of the Soviet Union on their minority views. There have at times been instances of deliberate obstruction, e.g. the Military Staff Committee was unable to begin any consideration of the General Principles which should underlie the Article 43 Agreements for several months owing to the fact that the Soviet Government did not furnish their representatives with instructions.

Whilst the right of the Soviet Government to maintain strong views on the potentially fundamental issues at stake cannot be gainsaid, there have been regretfully few signs of any desire on their part to take account of the opposite and majority point of view. So far, for instance, as the Atomic Energy Commission is concerned, the Soviet Government do not merely insist that a Convention providing for the prohibition of atomic weapons and the destruction of stocks must enter into force before any agreement for inspection and control is negotiated, but they are entirely averse from the conception of any International Agency which could be held to possess some over-riding authority in certain directions over national activities. This of course fits in with their basic conception of the unimpaired exercise of national sovereignty as expressed in the United Nations by the Great Powers’ right of veto in the Security Council. It is this which makes any real approach to unity through compromise in any of the above bodies impossible.

Finally, the Soviet Government have shown a marked tendency to base their approach to the problems of disarmament (including the atomic weapon) and security on the consideration
how far they can be used for propaganda purposes. There is for instance little doubt that their original raising of the disarmament problem during the Second Part of the First Session of the Assembly in October, 1946, was done with this aim and in order to embarrass and immobilise the other Powers. Having, presumably, extracted for the time being what they consider the maximum propaganda and nuisance value from their line, their delegates at New York are now taking a frankly cynical line as to the possibility of any of the three bodies making further progress.

Fundamentally, as suggested above, it is the Russian attitude towards sovereignty, recently expressed in an ever cruder and more reactionary way, which underlies the ever more conspicuous failure of all attempts to co-operate with them in the United Nations. The Organisation, it is true, is defined as "based on the principle of the sovereign equality of all its members". But sovereign equality does not imply equal and absolute sovereignty for all; it implies merely that none need surrender more sovereignty than any other. It is the Russian refusal to surrender to the United Nations any sovereignty at all which has so far prevented it from functioning and developing as most of its founders hoped.

The plain truth is that the Soviet conception of real and genuine international co-operation is a collection of governments which are either Communist or under Communist influence. For such time as free democratic governments exist real international co-operation is in their view impossible. Thus, in spite of the assurances they may from time to time be given for political warfare purposes by Stalin, their Communist logic compels them to the belief that no international organisation in the political sphere can possibly work satisfactorily from their point of view until such time as all nations are Communist or under strong Communist influence.
III. Our Response - Western Union

For our part, while doing our best to preserve Four Power Unity we have throughout sought to strengthen the ties between the United Kingdom and the different countries in western Europe. Thanks to our stand in 1914 British prestige on the Continent at the end of the war was immense, and we had naturally formed connections of a very close and friendly kind with the Governments in exile here. The land, sea and air forces of our western allies which had been formed in this country went home with a high opinion of the excellence of British equipment and methods of training. All this good will has been built up, except in those countries where the Russians put a full stop to the process, and we have given unfailing sympathy and support to our friends in their efforts to reconstruct their countries. With France, Belgium and Holland in particular it can be truly said that never in our history have relations been better.

With Italy a determined effort has been made to restore really friendly relations and to show our readiness to make a fresh start. We cannot meet Italian wishes to the full in regard to the disposal of their former colonies, but in all other fields we have done a great deal to help the emergence of a new and democratic Italy from the wreckage of fascism. All possible help has been given to the Italian economy, and on political questions we have throughout been very forthcoming. Assailed on the one side by the Communists and their allies, the Nenni Socialists, and on the other by the forces of reaction, the Italian Government has had a very difficult task. But it has stoutly maintained the principles of democracy, and in so far as the issue turns on its desires, we need not doubt Italian co-operation in the rebuilding of a sound Europe.

In all this we were very careful to avoid anything that might tend to divide the world into opposing blocs. The Treaty of Dunkirk with France, the only alliance into which we entered during the whole period up to my recent speech in the House of Commons, was directed solely against a revival of German militarism, and the Soviet Government were kept informed of our intentions throughout and raised no objection. The only other treaty which we considered entering into in Europe during this same period, the so-called Byrnes (Four Power) Treaty, and which founded on Russian opposition, was also concerned solely with Germany. This pre-occupation with Russian reactions did not meet with the response for which we had hoped. On the contrary, although our policy was aimed deliberately at strengthening good relations with the western European countries individually, we were confronted by an unscrupulous campaign of misrepresentation by the Russians on the ground that we were promoting a "western bloc" at the very time when they were themselves strengthening their grip in eastern Europe by fraud and violence. Our explanations fell on deaf ears. Everywhere the Communists sought to trouble relations with this country.

Whatever the merits of this admittedly cautious policy may have been, the fact remains that the ceaseless blows of Soviet Russia and the evident determination of the Communists to prevent the recovery of western Europe, in so far as it lies in their power to do so, have made a more forward policy necessary. In my paper, C.P. (48) 6, I expressed the belief that we should seek to form, with the backing of the Americas and the Dominions,
a western democratic system comprising, if possible, France, the Low Countries, Italy, Scandinavia, Portugal and Greece and I added that as soon as circumstances permitted we should of course wish to include Spain and Germany also. I explained that our treaty relations with the various countries might differ, but between all there would be an understanding backed by power, money and resolution and bound together by common ideals. When the idea was ventilated in my speech in the Foreign Affairs debate on 22nd January last this conception of a "spiritual" union of the west met with a very favourable reception abroad, except of course in Communist circles, and the work of translating it into effect has made a promising start.

On the economic side for instance the team of the European Recovery Programme experts from France and this country have been visiting the different capitals have found so wide a measure of agreement that I and M. Bidault have been able to convene a meeting of the full Committee of European Economic Co-operation in Paris on 15th March. I shall myself be attending this meeting, which should be a short one, and I have proposed that the agenda shall include the establishment of a Working Party which will meet at once and whose duty will be to draw up a plan for a Continuing Organisation, to be set up as soon as the European Recovery Programme legislation has been passed by the United States Congress, and to do other preparatory work. The work of this Continuing Organisation is bound to have an important effect on the integration of the economies of the participating countries. Meanwhile work has been proceeding not only through the various technical committees set up by the first Paris Conference, but also through the Economic Commission for Europe. Of particular importance is the Customs Union Study Group, and there have also been meetings in Inland Transport, Electric Power, Coal, Food and Agriculture, Steel, and Man-power. A Trade Union Conference has been called by the Trades Union Congress for 1st March, which will give the unions of the countries participating in the European Recovery Programme an opportunity of demonstrating their solidarity in support of the Plan and the importance which they attach to its success. Arrangements have also been made by the Labour Party for a meeting on 21st and 22nd March of the Socialist Parties from participating countries.

As against this progress it is true that the method by which the French Government has been obliged to devalue the franc was undoubtedly a setback, and that we are having great difficulty in reaching a financial agreement with the Belgian Government. However, talks are proceeding on the possibility of a clearing between this country, France and the Benelux countries.

On the political side there have been preliminary exchanges of views on the plan for a treaty, or treaties, between the five countries. My general conception was welcomed with enthusiasm, and the Benelux countries have, very rightly, as I think, laid great emphasis on the need for closer economic cooperation between us. The Belgian Government in particular has pointed out the anomalies of a situation where the United Kingdom follows a policy of austerity, Belgium a policy of free trade and France a policy not easy to define. The Benelux Governments are also anxious that treaty arrangements shall not take a purely negative line in regard to Germany. They wish it made clear that the five Governments desire to incline Germany towards the
west and are ready, with due safeguards, to co-operate in her reconstruction and they have suggested that the most suitable arrangement would be a pact of general application. Finally, they have left us in no doubt that military clauses must in their view form an integral part of the treaty arrangements, and that they expect staff talks to follow on its conclusion. For our part we regard it as very important that the Treaty or Treaties should contain provisions against a revival of German militarism, and the French agree with us on this. But we have no reason to doubt that the different points of view can be reconciled, and the problem is to be examined by official representatives of the five countries who are to meet at Brussels on 4th March. As soon as they have broken the ground we hope there will be a meeting of Foreign Ministers to agree on broad principles and to lay down instructions for the drafting of a suitable Agreement. It certainly seems as if recent events would have had the effect of reinforcing the arguments of those who hold that some instrument on the lines of the Dunkirk Treaty would be insufficient to meet present needs.

Meanwhile tripartite talks on the future of Germany have begun between the Americans, the French and ourselves, and, by agreement the Benelux Governments have been associated with the study of all questions except those concerned purely with the administrative problems of the three Zones. In our desire not to close the door on a possible Four Power Agreement we have delayed these talks dangerously long and it is not to be expected that we shall reach any final conclusions even now during this first meeting. But all parties to these talks admit not only the need for reviving the economy of western Germany but also the potential danger which a strong Germany would represent, and it is manifestly essential to western Europe that an agreement shall be reached in the early future regarding the methods by which a balance shall be struck.
IV. The Immediate Outlook

Now that a coup d'etat has been successfully staged in Czechoslovakia, and that measures are in process of being taken to bring Finland and Hungary more directly under the control of Moscow, the next step for the Russians may well be in the direction of Italy or France, with possibly a threat to the independence of the other Scandinavian countries, and increased aid to the Greek Communists in their rebellion.

Up till recently it was thought that the Communists might be laying plans for direct action in Italy during the month of March. But certain indications now lead us to believe that they may be waiting for the elections in April. In France the situation has become less favourable to the Communists since the relative failure of the strike movement which was launched last November. In Italy the Communists have been joined by Nenni who has declared that the Socialists should fight the elections on a common ticket with the Communists, and that this would likely lead to the eventual elimination of the Socialist party in Italy. The Lombard and Venetian sections of the Socialist party have broken away, but they are unfortunately unlikely to carry any votes with them. The Communist-Nenni Socialist coalition stand a fair chance of securing as much as 40 per cent. of the votes, and if they emerge as the strongest single group they will have a claim to form the new government and a plausible pretext for making trouble if this claim is ignored. Should they be able to force themselves into power, even as members of a coalition government, the usual methods would be followed. It is true that the present Italian Government are fully alive to the dangers of such a course, but if the elections go well for the Communists the latter will be in a better position than they are now to apply pressure. It seems unlikely that they will risk these possibilities of action by following a violent course in the meantime which they fear might cause the Italian Government to postpone the elections or even lead to American intervention. Whether the Government can maintain its position before the elections and subsequently win them depends mainly on the degree of encouragement and support which they feel they can count on from ourselves and the Americans. In general it seems likely that the Communists will postpone direct action in France until they have forced a decision in Italy, or until they secure some other direct road of access between France and the Soviet orbit.

As regards Scandinavia, the action of the Russians in forcing a treaty on the Finns may perhaps be taken as evidence of their pre-occupation with the consolidation of their security in that part of Europe. They may well feel that once the situation in Finland has been fully assured, the time is ripe for further progress. Sweden is at present hovering between her obvious affinities with the West and her traditional policy of neutrality, and the Russians may feel that it is necessary to make a determined effort now to prevent the Swedish Government from leaning more towards the Western Union. On the other hand, opinion in Norway has hardened considerably against the Communists, especially since the events in Czechoslovakia.

In South-Eastern Europe, the consolidation of
Communist hegemony within the Soviet orbit has been completed by the practical elimination of the moderate elements in the Hungarian Social Democratic Party. Although Moscow has not yet achieved all that the Soviet hoped for, and although both Tito and Dimitrov have been called to order in respect of their ideas of Balkan federation and the formation of a Yugoslav-Bulgaria Customs Union, these checks may have been due to the impression caused in Moscow by the strong reaction of the Americans to recent events in Greece and by Government statements in this country, including those made in the Foreign Affairs debate in January. If the surmise expressed above with regard to France and Italy is correct, the timing of events in South Eastern Europe is likely to be brought into step with their plans for the west. The pressure on Greece is being maintained and may well be increased. The Soviet snub to Dimitrov and the relative slowing-down in the Balkans may well only be tactical moves connected with the imminence of the Italian elections.

As regards Germany, such indications as we have still point to the preparation of large-scale strikes in the Western Zones for the month of March, and there is no sign that this has been postponed. In the Soviet Zone, however, it seems either that the Russians had no cut-and-dried programme as we suspected they had before the breakdown of the Council of Foreign Ministers, or that they have for some reason hesitated to put it into operation.

In the Middle East, there are at present no definite indications of an immediate Russian move in the direction of the Persian Gulf. But the Persian Government have been clearly warned that they must take the consequences of rejecting the arrangements which the Russians have pressed for in connection with oil concessions. The Soviet Government have thus prepared the way for renewed pressure at any time. I would recall in this connection that Soviet pressure on Persia since the war began with Soviet failure to withdraw their troops in accordance with their treaty obligations and the stirring up of trouble in the oil fields. This was halted when we sent troops and ships to the Persian Gulf and the Americans decided to support Persia.

In Palestine, the Soviet Government are profiting from the present uncertainties. The numerous illegal Jewish immigrants include Soviet agents, and we may confidently expect the Soviet Government to exploit the situation with the purely opportunistic aim of increasing confusion to the maximum possible extent.

Soviet and Communist policy in the Far East is developing, though not perhaps at the same rapid tempo as in Europe. In China, the Communists are gaining strength at the expense of the National Government and the latter are losing prestige in consequence. Whether this process can be arrested depends almost entirely on the amount of American aid which the Government receives in the near future.

In Northern Korea, the Communists are engaged in drafting the constitution of a "People's Republic", which it is expected will be proclaimed some time in March, and which may claim jurisdiction over Southern Korea as well. It seems very probable that simultaneously with the proclamation, the Russians may announce the complete withdrawal of their forces from their Zone, in order to oblige the Americans by the pressure of local opinion to withdraw their forces from the
south. It is difficult to see how the United States Government could retain their troops in such circumstances. Once this withdrawal has been effected, the Russians would of course have the whole country at their mercy. A "people's army" exists in the north, backed by Soviet forces across the border, and it would be easy for them to stage a putsch in the south. But this may not be necessary since it can then be only a matter of time before the whole of Korea comes under the jurisdiction of the People's Republic, whatever the result of the elections which are to be held in the south under the auspices of the United Nations.

It must be emphasised that the foregoing paragraphs contain a very tentative estimate of Soviet intentions in the immediate future. When they reach the point of being put into action, Soviet plans mature very quickly and they are moreover very flexible. It is notoriously rash to foretell what the Soviet Government may do at any given moment.
CABINET

MONOPOLISTIC PRACTICES BILL

MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE

IN July 1946, my predecessor circulated to the Lord President’s Committee a memorandum on Restrictive Practices (L.P. (46) 202) outlining the sort of legislation which might be devised to deal with these practices. The relevant passages from this memorandum are given in the Annex. The Committee in September 1946 authorised the preparation of a Bill for submission to the Cabinet on the lines foreshadowed (L.P. (46) 31st Meeting).

2. I now submit a Bill which follows closely the proposals outlined in 1946. There are a few points, however, where it has been necessary to depart from these proposals and where the emphasis has altered. These I list below:—

(a) Sanctions

As was foreshadowed, the Bill would give power to compel with relation to particular goods withdrawal from agreements altogether or in part and to prevent the making or carrying out of agreements wholly or in part. The Bill would also give power to deal with practices such as boycotts. Price control is already authorised by existing legislation and finds no place in the Bill for that reason. The powers under the Bill cannot, however, be exercised unless the proposed Commission has not only reported that conditions of imperfect competition exist but also that they are contrary to the public interest. To some extent this limits, of course, our powers to act, but it will undoubtedly ease the passage of the measure through Parliament and will give an added sense of responsibility to the Commission. It would be difficult in practice to justify the establishment of a Commission to consider in an impartial way whether particular activities are contrary to the public interest and at the same time to take powers to act against such activities even when the Commission reports that they are in the public interest. In the international sphere, which I deal with below, the limitation is probably desirable in any case. A corollary of this proposal is that the Commission, and particularly its Chairman, must be men of intelligence and drive; indeed I think that only on these conditions will good men be willing to serve.

(b) International Agreements

The Bill provides that the Commission could be asked either (i) to investigate the facts of a case—that is to say whether there are conditions of imperfect competition—or (ii) to investigate the facts and, if there are conditions of imperfect competition, to say whether these conditions are in the public interest and, if not, to suggest remedies. In making it possible for the Board of Trade to refer only the facts I had particularly in mind the obligations which we may assume under Chapter V of the Charter of the International Trade Organisation. These are very briefly to supply information to the Organisation and, within limits, to take action after the receipt of an unfavourable report. It will, under the Bill, remain the fact, in the case of private undertakings, that action to compel withdrawal from an international agreement can only be taken if our own Commission has reported that the agreement is not in the public interest, and this
limitation is, is our interest. In this respect our legislation would go as far as, but no further than, that operating in the United States and Canada. In the case of public undertakings the powers of the Government derive more directly from the Acts which set them up.

(c) Public Interest

I have not included in the Bill any definition of the public interest. The idea of including a list of criteria dates from the time of the Coalition Government, when each side was anxious to make clear its differing views of the public interest. It proved difficult to devise any set of criteria which would not seem somewhat platitudinous in the short-run and might not in the long-run look foolish through change of circumstances. I have, therefore, at present retained power to give general and particular directions to the Commission, although this may throw doubts upon the impartiality of the Commission. I hope, however, that in practice a conception of the public interest in relation to monopolistic practices will grow naturally from the investigations carried out and from the interchange of views between the Board of Trade and the Commission. I should welcome my colleagues' views on the question whether I should take power to give directions to the Commission in this way or should be content to rely upon more informal methods.

(d) Consultation with Other Departments

I have not provided in the Bill for consultation with other Departments since it is no longer the practice to do so; but I do not intend, of course, to make references to the Commission except in agreement with the Minister responsible. In the unlikely event of continuing disagreement in a particular case we should no doubt submit the issue to our colleagues. Much of the detailed work before a reference is made to the Commission and after a report has been received will fall to the Departments responsible for the industries concerned, who will, I hope, in this as in other matters where the Board of Trade take a responsibility for general policy, provide the contact with industry.

(e) Public Corporations

I propose to leave the activities of these Corporations out of the Bill in so far as their monopoly activities are concerned, although they will be covered in respect of activities which give rise to imperfect competition and are not expressly authorised by the Act setting them up. This means that the Coal Board are excluded so far as coal is concerned, but would be covered if they made machinery and entered into a restrictive agreement with other machinery-makers. The Commission will have the duty of advising the Board of Trade when asked outside the provisions of formal reference and this duty extends to the activities of public Corporations—a potentially useful provision as the Commission grows into an expert body. This informal consultation will be equally open for use in the case of private industry.

3. The Bill does not, of course, deal with the restrictive practices of trade unions and I may well have to deal with substantial criticisms on this point in the Second Reading debate. I hope that the Minister of Labour will fore-arm me on this aspect and will be ready if necessary to intervene.

4. I cannot yet say how many people will be needed to staff the Commission but I do not intend that it shall be more than fifty people.

5. Although a Bill on these lines has been in mind for several years it became possible only recently to start serious drafting. It is a Bill which presents some difficulty on this score particularly in the Clauses defining conditions of imperfect competition which must be made workable and reasonably inclusive. Although the main points of principle are settled, I may, therefore, wish to make further alterations in the text of the Bill before submission to the Legislation Committee. Subject to these reservations, I ask my colleagues for authority to proceed.

J. H. W.

Board of Trade, S. W. 1,
3rd March, 1948.
4. A Statutory Commission should be established with adequate powers to investigate records, costs, &c., and to compel evidence on oath. The Commission should not be given a roving field of enquiry, but should enquire into a case only at the request of the President of the Board of Trade, who would be responsible for its appointment. The Board of Trade might institute an investigation either of its own accord or following a complaint from the public, but there should be no obligation on it to refer a practice to the Commission unless it thought it desirable to do so. The Commission would have its own staff.

5. The reports of the Commission would be published in the absence of strong reasons (e.g., security) to the contrary. In addition to reviewing the facts disclosed, the Commission would make recommendations for remedying any undesirable effects of the practice. It would be given some general criteria, such as the effect on prices, efficiency, employment and exports, by which to form its judgment; but its hands should not be tied and it should be able to take account of other matters either upon its own initiative or on the instructions of the Board of Trade. The Commission should not be empowered to investigate statutory monopolies. The Coalition Government, who gave considerable thought to this matter, envisaged a Commission of Enquiry with no further powers, and the then Solicitor-General, Sir David Maxwell-Fyfe, drafted the Heads of a Bill setting up such a Commission (R. (44) 187 and R. (45) 16).

6. In my view, mere enquiry is inadequate. The Bill should give power to the Board of Trade to make proposals to Parliament which would be based on the Commission’s report, though they would not necessarily be the same in all details. These proposals would be in the form of Orders, subject to affirmative resolution. The Debates on them would gradually create a body of principles by which restrictive practices would come to be judged. The details will have to be worked out more fully, but there should probably be power to make Orders—

(1) declaring a particular agreement to be illegal so that operation under it would be an illegal conspiracy;
(2) prohibiting discrimination in the acceptance of orders from various customers (in order to strike at boycotts, stop lists, resale price maintenance and similar contrivances);
(3) regulating prices and margins (which involves the permanent retention in this field of our present powers of price control).

8. The policy must cover the whole industrial field—we cannot have one policy for Board of Trade industries and another for industries such as food and engineering just because they happen to be the responsibility of another department. I think, however, that responsibility for the policy should rest with one department and that that department should be the Board of Trade. Inevitably the application of policy will fall very often to other departments, but I suggest that, both because we shall be building up, by experience on individual cases, a more concrete policy (see paragraph 6) and because of the need to regulate the load upon the Commission, the application of the policy should be co-ordinated by the Board of Trade; that, while the responsible Production Department would take the initiative in referring cases to the Commission and would be responsible for any disciplinary measures which had to be imposed on the industry, the reference of cases to the Commission and the action taken on the Commission’s report would be the joint responsibility of the Production Minister and the President of the Board of Trade.
Monopolistic Practices Bill.

ARRANGEMENT OF CLAUSES.

The Monopolistic Practices Commission.

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3. Meaning of "conditions of imperfect competition to which this Act applies" in relation to supply.
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DRAFT
OF A
BILL

Make provision for inquiry into the existence and effects
of, and for dealing with mischiefs resulting from, or
arising in connection with conditions of imperfect
competition prevailing as respects the supply of, or
the application of any process to, goods, buildings
or structures, or as respects exports.

BE it enacted by the King's most Excellent Majesty, by and
with the advice and consent of the Lords Spiritual and
Temporal, and Commons, in this present Parliament assembled,
and by the authority of the same, as follows:—

The Monopolistic Practices Commission.

1.—(1) For the purposes of this Act there shall be constituted
a Commission, to be called the Monopolistic Practices Commission
(in this Act referred to as "the Commission").

(2) The Commission shall consist of not less than three or
more than eight members to be appointed by the Board of Trade.

(3) Every member of the Commission shall hold office for such
time (not being less than three nor more than seven years) as
may be specified by the Board of Trade in making his appoint-
ment, and shall not be eligible for re-appointment:

Provided that—
(a) the Board may from time to time extend the term of
office of a member by such period as the Board think
A.D. 1948.

...fit, so, however, that his total term of office does not exceed twelve years;

(b) if a member becomes, in the opinion of the Board, unfit to continue in office or incapable of performing his duties under this Act, the Board shall forthwith declare his office to be vacant and shall notify the fact in such manner as they think fit, and thereupon the office shall become vacant;

(c) any member may at any time by notice in writing to the Board resign his office.

(4) Such one of the members of the Commission as the Board of Trade may from time to time direct shall be the chairman of the Commission, and the said chairman, and such other members of the Commission as the Board of Trade may from time to time direct, shall render whole-time service to the Commission.

(5) The Board of Trade shall provide the Commission with a secretary and such other officers and servants as the Board may with the approval of the Treasury determine.

(6) The expenses of the Commission, to such amount as may be determined by the Board of Trade with the approval of the Treasury (including such salaries and other remuneration paid to all or any of their members as may be so determined), shall be paid out of moneys provided by Parliament.

(7) The quorum necessary for any meeting of the Commission shall be such as the Commission may from time to time determine.

General duties of Commission.

2.—(1) Where it appears to the Board of Trade that it is or may be the fact that conditions of imperfect competition to which this Act applies prevail as respects either—

(a) the supply of any goods in the United Kingdom or in any substantial part thereof; or

(b) the application of any process to any goods in the United Kingdom or in a substantial part thereof; or

(c) exports of any goods from the United Kingdom either generally or to any particular market,

the Board may, if they think fit, refer the question to the Commission for investigation and report:

Provided that a reference shall not be made under this subsection where the prevalence of the conditions in question is expressly authorised by or under any enactment, other than the enactments relating to patents and trade marks.

(2) Without prejudice to the duties of the Commission where a matter has been referred to them for investigation and report, it shall at all times be the duty of the Commission, at the request of the Board of Trade, to give to the Board any such information
and assistance as is in their power in relation to any question connected with conditions of imperfect competition to which this Act applies which prevail, are suspected of prevailing or are expected to prevail as respects the supply of any goods in the United Kingdom or any part thereof, as respects the application of any process to any goods in the United Kingdom or any part thereof, or as respects exports of any goods from the United Kingdom, either generally or to any particular market.

Conditions to which the Act applies.

3.—(1) Conditions of imperfect competition to which this Act applies shall be deemed for the purposes of this Act to prevail as respects the supply of any goods in the United Kingdom or any part thereof if either—

(a) more than one half of the goods in question supplied in the United Kingdom or that part thereof, as the case may be, is supplied by or to any one person or any two or more persons who, whether voluntarily or not, so conduct their respective affairs as in any way to prevent or restrict competition in connection with the production or supply of the goods thereof, whether or not they themselves are affected by the competition and whether the competition is between persons interested as suppliers or producers or between persons interested as customers of suppliers or producers; or

(b) any agreements or arrangements are in operation the result of which is that, in the United Kingdom or that part thereof, as the case may be, the goods in question are not supplied:

Provided that in considering whether or not any two or more persons so conduct their affairs as aforesaid, matters relating wholly or mainly to the employment of workers or to their wages or conditions of employment shall be left out of account.

(2) Where goods are the subject of different forms of supply, the references in subsection (1) of this section to the supply of the goods shall be construed as references to each of those forms of supply taken separately, to all those forms of supply taken together, or to those forms of supply taken in groups, according as the Board of Trade or the Commission, as the case may be, think proper in all the circumstances; and the Board of Trade or the Commission, as the case may be, may treat goods as being the subject of different forms of supply whenever the transactions in question differ as to their nature, their parties, their terms or their surrounding circumstances, and the difference is one which, in the opinion of the Board or the Commission, as the case may be, ought for the purposes of this section to be treated as a material difference.
Meaning of "conditions of imperfect competition to which this Act applies" in relation to processing.

4.—(1) Conditions of imperfect competition to which this Act applies shall be deemed for the purposes of this Act to prevail as respects the application of any process to any goods in the United Kingdom or any part thereof if either—

(a) more than one half of the goods in question to which that process is applied in the United Kingdom or that part thereof, as the case may be, is subjected to that process by or for any one person or any two or more persons who, whether voluntarily or not, so conduct their respective affairs as in any way to prevent or restrict competition in connection with the application of that process to the goods, whether or not they themselves are affected by the competition and whether the competition is between appliers of the process or between persons for whom the process is applied; or

(b) any agreements or arrangements are in operation the result of which is that, in the United Kingdom or that part thereof, as the case may be, that process is not applied to the goods:

Provided that in considering whether or not any two or more persons so conduct their affairs as aforesaid, matters relating wholly or mainly to the employment of workers or to their wages or conditions of employment shall be left out of account.

(2) References in subsection (1) of this section to the application of any process to any goods do not include references to the application to any goods of any process where the process is applied by the owner of the goods or his servants.

5.—(1) Conditions of imperfect competition to which this Act applies shall be deemed for the purposes of this Act to prevail as respects exports of any goods from the United Kingdom, both generally and to each market taken separately, if any one person produces more than one half of the goods in question which are produced in the United Kingdom.

(2) Conditions of imperfect competition to which this Act applies shall also be deemed for the purposes of this Act to prevail as respects exports of any goods from the United Kingdom generally if—

(a) any agreements or arrangements, whether legally enforceable or not, are in operation which prevent or restrict, or prevent or restrict competition in relation to, the export of the goods in question which are produced in the United Kingdom; and

(b) the agreements or arrangements are operative as respects the goods in question which are produced in the United Kingdom by any two or more persons who together produce more than half of the goods in question which are produced in the United Kingdom.
(3) Conditions of imperfect competition to which this Act applies shall also be deemed for the purposes of this Act to prevail as respects exports of any goods from the United Kingdom to any particular market, if—

(a) any agreements or arrangements, whether legally enforceable or not, are in operation which prevent or restrict, or prevent or restrict competition in relation to, the supply of the goods in question (whether from the United Kingdom or not) to that market; and

(b) the agreements or arrangements are such as to fulfil the condition specified in paragraph (b) of subsection (2) of this section.

References for Investigation and Report.

6.—(1) A reference of a matter to the Commission for investigation and report may be so framed as either—

(a) to limit the investigation and report to the facts, that is to say to the question whether conditions of imperfect competition to which this Act applies in fact prevail, and if so in what manner and to what extent, and to the things which are done by the parties concerned as a result of, or for the purpose of preserving, those conditions; or

(b) to require the Commission to investigate and report on the facts as aforesaid and also to investigate and report whether the conditions in question and the things done as aforesaid operate or may be expected to operate against the public interest, either generally or in any respect.

(2) Where the reference of a matter to the Commission for investigation and report is not so framed as to limit the investigation and report to the facts, it may, if the Board of Trade thinks fit, be so framed as to require the Commission, if they find that conditions of imperfect competition to which this Act applies prevail, thereafter to confine their investigation to the question whether any such things as are specified in the reference are done by the parties concerned as a result of, or for the purposes of, preserving those conditions, and, if so, whether or not those things operate or may be expected to operate against the public interest, either generally or in any respect.

(3) The Board of Trade may at any time vary any reference made by them of a matter to the Commission for investigation and report.
A.D. 1948.

(4) The power conferred by subsection (3) of this section extends to requiring the Commission, where they have already made an investigation and report which is limited to the facts, to proceed with their investigation as if the reference in question had not been so limited, and to make a further report accordingly.

7.—(1) Where a matter has been referred to the Commission for investigation and report, it shall be the duty of the Commission to include in their report definite conclusions as to the questions covered by the reference and also to include therein such account of the reasons for their conclusions, and such a survey of the general position in respect of the subject matter of the investigation, and of the developments which have led to that position, as is in their opinion expedient for facilitating a proper understanding of the matter.

(2) Where the reference of a matter to the Commission for investigation and report is not so framed as to restrict the investigation and report to the facts, the Commission, if they find that conditions of imperfect competition to which this Act applies prevail and that those conditions or any things done by the parties concerned as a result of, or for the purpose of preserving, those conditions, operate or may be expected to operate against the public interest, either generally or in any respect, shall, as part of their investigation, consider whether any and if so what action (whether under this Act or otherwise) should be taken to remedy or prevent any mischiefs which result or may be expected to result from the conditions or things done as aforesaid, and may, if they think fit, include recommendations as to such action in their report.

8.—(1) The procedure of the Commission in carrying out any investigation where a matter has been referred to them for investigation and report shall be such as the Commission may determine and in particular the Commission shall have power to determine the extent, if any, to which persons interested or claiming to be interested in the subject matter of the reference are allowed to be present or to be heard, either by themselves or by their representatives, or to cross-examine witnesses or otherwise take part in the investigation of the Commission, and the extent, if any, to which the sittings of the Commission are held in public.

(2) For the purposes of any such investigation as aforesaid, the Commission may, if they think fit, take evidence on oath, and for that purpose administer oaths.

(3) If it appears to the Commission expedient so to do for the purpose of any such investigation as aforesaid, the Commission may by notice in writing signed by any of their members or by their secretary,—

(a) require any person to attend at a time and place specified in the notice, and to give evidence or to produce (to the
Commission or to a person nominated by the Com-
mission) any documents specified in the notice, being
documents which are in his custody or under his control
and relate to any matter relevant to the investigation;
or
(b) require any person carrying on any trade or business to
furnish to the Commission, within such time, in such
manner and in such form as may be specified in the
notice, such estimates, returns or other information as
may be specified or described in the notice;
and any person who refuses or wilfully neglects to do anything
duly required of him by such a notice or wilfully alters, suppresses
or destroys any document which he has been required to produce
by such a notice, or, in furnishing any estimate, return or other
information required of him under such a notice, makes any
statement which he knows to be false in a material particular or
recklessly makes any statement which is false in a material
particular, shall be guilty of an offence under this Act:
Provided that no person shall be required, in obedience to any
such notice, to go more than ten miles from his place of residence
unless the necessary expenses of his attendance are paid or
tendered to him.

(4) Nothing in this section shall be taken to require any person
who has acted as counsel or solicitor for any person to disclose
any privileged communication made to him in that capacity.

(5) The Commission, in determining their procedure and exer-
cising the other powers conferred on them by this section, shall
act in accordance with such general directions, if any, as may
from time to time be given to them by the Board of Trade.

(6) The Board of Trade shall lay before Parliament a copy
of any direction given by them under the last preceding subsection.

9.—(1) The Board of Trade may, either in connection with the
reference of a particular matter, or particular matters, to the
Commission for investigation and report, or generally in connec-
tion with all such references, from time to time give to the
Commission such directions as the Board think fit as to the
weight or relative weight which the Commission, in determining
whether or not any conditions of imperfect competition, or
any things done by the parties concerned as a result of, or for
the purpose of preserving, any such conditions, operate or may
be expected to operate against the public interest, are to attach
to any such considerations as may be specified in the directions.

(2) So long as any such direction remains in force, the Com-
mmission shall include a statement thereof in every report of theirs
to which it is in their opinion material.
A.D. 1948.

Publication of reports of Commission.

10. When the Commission report to the Board of Trade on any matter referred to them for investigation and report, the Board may, and, unless the reference was so framed as to restrict the investigation and report to the facts, shall, lay the report before Parliament:

Provided that if it appears to the Board of Trade to be contrary to the public interest that the report, or some part thereof, should be made public, the Board of Trade shall only lay before Parliament so much, if any, of the report as in their opinion can be made public without injury to the public interest.

New Powers of Board of Trade for dealing with Conditions to which this Act applies.

11.—(1) The provisions of this section shall have effect where—

(a) the Board of Trade have referred a matter to the Commission for investigation and report; and

(b) the reference is not so framed as to limit the investigation and report to the facts; and

(c) the Commission have reported that conditions of imperfect competition to which this Act applies prevail and that those conditions, or any things done by the parties concerned as a result of, or for the purpose of preserving, those conditions, operate or may be expected to operate against the public interest, either generally or in any respect; and

(d) the report of the Commission has (with or without omissions) been laid before Parliament.

(2) For the purpose of remedying or preventing any mischiefs which, according to the report of the Commission (as laid before Parliament), result or may be expected to result from the said conditions of imperfect competition or any things done as aforesaid, the Board of Trade may (irrespective of whether the Commission has made any, and, if so, what, recommendation in that behalf) by order do all or any of the following things, that is to say—

(a) declare it to be unlawful, except to such extent and in such circumstances as may be provided by or under the order, to make or to carry out any such agreements or arrangements as may be specified or described in the order;

(b) require any party to any such agreement or arrangements as may be so specified or described, to determine the agreement or arrangements within such time as may be so specified, either wholly or to such extent as may be so specified;
(c) declare it to be unlawful, except to such extent and in such circumstances as may be provided by or under the order, to withhold or agree to withhold or threaten to withhold, or to procure others to withhold, or agree to withhold or threaten to withhold, from any such persons as may be so specified or described, any supplies or services so specified or described or any orders for any such supplies or services (whether the withholding is absolute or is to be effectual only in particular circumstances);

(d) declare it to be unlawful, except to such extent and in such circumstances as aforesaid, to give, or agree to give, or procure others to give or to agree to give, any such preference as respects the provision of, or the giving of orders for, supplies or services as may be so specified or described.

(3) An order of the Board of Trade under this section declaring a thing to be unlawful may declare it to be unlawful either for all persons or for such persons as may be specified or described in the order.

(4) Nothing in any order of the Board of Trade under this section shall have effect so as to apply to any person in relation to his conduct outside the United Kingdom unless he is either a British subject or a body corporate incorporated under the law of the United Kingdom or some part thereof or a person carrying on business in the United Kingdom either alone or in partnership with any other person, but, save as aforesaid, any such order may be so made as to extend to acts or omissions outside the United Kingdom; and any such order may also extend so as to prohibit the carrying out of agreements already in existence at the date of the making of the order.

(5) An order of the Board of Trade under this section may be revoked or varied by a subsequent order of the Board.

(6) The power to make orders under this section shall be exercisable by statutory instrument, and no order shall be made under this section unless a draft thereof has been laid before Parliament and approved by resolutions of each House of Parliament.

12.—(1) No criminal proceedings shall lie against any person by virtue of the making of any order under the last preceding section on the ground that he has committed, or aided, abetted, counselled or procured the commission of, or conspired or attempted to commit, or incited others to commit, any contravention of the order.
A.D. 1948.  

(2) Nothing in subsection (1) of this section shall limit any right of any person to bring civil proceedings in respect of any contravention or apprehended contravention of any such order, and, without prejudice to the generality of the preceding words, compliance with any such order shall be enforceable by civil proceedings by the Crown for an injunction or for any other appropriate relief.

(3) In the application of subsection (2) of this section to Scotland, for the words “civil proceedings by the Crown for an injunction” there shall be substituted the words “civil proceedings by the Lord Advocate for an interdict”.

13. The powers conferred by the two last preceding sections shall be without prejudice to the powers of the Board of Trade, and of other Government Departments or authorities, under other Acts, and in particular, to the powers exercisable under the enactments and Defence Regulations relating to the control of prices.

**Supplemental provisions.**

14.—(1) No information with respect to any particular trade or business which has been obtained under or by virtue of this Act shall, so long as that trade or business continues to be carried on, be disclosed without the consent of the person carrying on that trade or business, otherwise than for the purpose of facilitating the proper performance by the Commission, or by a Minister of the Crown or Government department, of their or his functions as such, or for the purpose of, or of any report of, any legal proceedings, whether civil or criminal, under this Act or arising out of the carrying of this Act into effect.

(2) Any person who discloses any information to the contravention of this section shall be guilty of an offence under this Act.

(3) Nothing in this section shall be construed as limiting the matters which may be included in, or made public as part of, a report of the Commission, or as applying to any information which has been made public in such a report.

15.—(1) Every person who is guilty of an offence under this Act shall be liable, on summary conviction, to imprisonment for a term not exceeding three months or to a fine not exceeding one hundred pounds or to both such imprisonment and such a fine.

(2) If a refusal or neglect in respect of which a person is convicted under the preceding subsection is continued after the conviction, he shall be guilty of a further offence and may on summary conviction thereof be punished accordingly.
(3) Where an offence under this Act has been committed by a body corporate, every person who at the time of the commission of the offence was a director, general manager, secretary or other similar officer of the body corporate, or was purporting to act in any such capacity, shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he exercised all such diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions in that capacity and to all the circumstances.

16.—(1) Any expenses incurred by the Board of Trade in carrying this Act into effect shall be paid out of moneys provided by Parliament.

(2) Anything required or authorised by or under this Act to be done by, to or before the Board of Trade may be done by, to or before the President of the Board, any secretary or under-secretary or assistant secretary of the Board, or any person authorised in that behalf by the President.

17.—(1) In this Act, except so far as the context otherwise requires—

"goods" includes buildings and structures, and also includes ships and aircraft;

"produce", in relation to minerals or other substances, includes the getting thereof, and in relation to animals and fish, includes the taking thereof;

"supply" includes supply by way of lease or hire, and in relation to buildings or structures, includes the construction thereof for another.

(2) Fish and marine animals which are caught outside the United Kingdom shall be deemed for the purposes of this Act to be produced where the catch is landed.

(3) For the purpose of determining under this Act whether any goods supplied, subjected to a process or produced in the United Kingdom or any part thereof do or do not amount to more than one half of the goods in question supplied, subjected to the process or produced in the United Kingdom or that part thereof, as the case may be, the Board of Trade and the Commission shall each apply such criterion (whether it be value or cost or price or quantity or capacity or number of workers employed or some other criterion, of whatever nature), or such combination of criteria, as may appear to the Board or to the Commission, as the case may be, to be most suitable in all the circumstances.

18. This Act may be cited as the Monopolistic Practices Act. Short title.
Monopolistic Practices.

DRAFT
OF A
BILL

To make provision for inquiry into the existence and effects of, and for dealing with mischiefs resulting from or arising in connection with, conditions of imperfect competition prevailing as respects the supply of, or the application of any process to, goods, buildings or structures, or as respects exports.

CCLIV—G. (5).

27th February, 1948.
CABINET

PAY OF SENIOR POLICE OFFICERS

Memorandum by the Home Secretary

In January, 1947, I set up a committee, consisting of equal numbers of Chief Constables and representatives of the local police authorities, together with representatives of the Home Office, to consider and submit proposals for the rationalisation and reduction of the present unduly high number of scales of pay for Chief Constables in the light of their present-day responsibilities, duties and conditions. The committee, which was in effect a negotiating body, submitted to me in July, 1947, a unanimous report providing for new and increased scales of pay for Chief Constables and Assistant Chief Constables.

2. I was given to understand after the report had been submitted that the representatives of the Local Authority Associations on the committee who had taken part in the negotiations and had signed the report had no authority to commit their parent bodies; and after consultation with the Treasury I referred the report to the County Councils Association and the Association of Municipal Corporations on 11th July, 1947, with an intimation that I was prepared to accept the recommendations made in it and proposed to ask police authorities to give effect to them. The Association of Municipal Corporations informed me in October last that they accepted the proposed scales; the Police Committee of the County Councils Association also accepted them but on 29th January last I was informed that the Executive Council of the Association had, by 21 votes to 18, decided to refer the report back to the Police Committee.

3. A similar negotiating committee was set up in December last to consider the pay of police Superintendents; the reason why it was not set up at an earlier date was that the Local Authority Associations had failed to reach any conclusions on a report dealing with the organisation and responsibilities of the senior ranks in the police service which had been referred to them in the middle of last year. This Committee has not yet formally submitted its report, but agreement on scales of pay for Superintendents was reached on 3rd February, 1948, i.e. before the issue of the White Paper on Personal Incomes (Cmd. 7321).

4. I regard it as essential, as a matter of good faith, that effect should now be given to both of these agreements. In the case of the Chief Constables and Assistant Chief Constables, the whole issue would have been disposed of in the middle of last year but for the unconscionable delay of the Local Authority Associations; it would also have been possible to have appointed the Committee on Superintendents' Pay, as I undertook to do more than a year ago, and to have disposed of their claim also long before the end of last year but for the failure of the Local Authority Associations to deal with certain questions of grading...
and organisation which ought to have been settled as a preliminary to the wage negotiations proper. If now the legitimate claims of the officers of these ranks, embodied in agreed Reports setting out the results of free negotiation between both sides, were to be rejected by the Government the effect upon the police service would be deplorable. It would without doubt shake the confidence of the police in the value of collective bargaining and would inevitably result in a feeling among the senior officers of the police service that they cannot trust the Secretary of State in matters of this kind. My view of the position is that public faith has been pledged and that the pledge must be honoured.

5. The police forces are dealing with an unprecedentedly grim situation in the discharge of their duties. Most of them are seriously undermanned. They have, nevertheless, discharged their duties with exemplary diligence. To allow a minority of authorities by dilatory tactics to destroy the results of collective bargaining for those who carry the heaviest responsibilities would make a mockery of the tributes which one has been compelled to pay to the leaders of these forces.

6. I, therefore, most earnestly ask my colleagues to agree that I may refer both agreements to individual police authorities and ask them to submit revised scales of pay in accordance with the agreements. I have reason to believe that practically all local authorities will be ready and anxious to adopt the revised scales and that if any local authority is recalcitrant it will not have the sympathy of the other authorities. If any individual authorities refuse to honour the agreements, I would propose to compel them to do so under the powers conferred on me by the Police Act, 1919.

J.C.E.

Home Office, S.W.1.
9th March, 1943.
REPORT OF A COMMITTEE ON THE PAY OF CHIEF CONSTABLES IN ENGLAND AND WALES

LONDON: HIS MAJESTY'S STATIONERY OFFICE 1947
WARRANT OF APPOINTMENT

I HEREBY APPOINT:—

Sir Frank Newsam, K.B.E., C.V.O., M.C.
Mr. S. J. Baker
Mr. J. H. Burrell
Sir Philip Henriques, K.B.E.
Sir Archibald Hordern, C.B.E., A.F.C.
Captain W. J. Hutchinson
Sir Joseph Lamb, J.P.
Mr. J. Ormerod, O.B.E.
Alderman O. C. Purnell, C.B.E., D.L., J.P.
Captain H. Studdy
Alderman T. J. W. Templeman
Alderman F. Thraves, J.P.
Alderman T. Waterhouse, C.B.E., J.P.
Mr. J. Williamson, O.B.E.

to be a Committee of the Police Council to consider and submit proposals for the rationalization and reduction of the present unduly high number of scales of pay for Chief Constables in the light of their present day responsibilities, duties and conditions, including the changes that will be effected in pursuance of the Police Act, 1946.

AND I FURTHER APPOINT

Sir Frank Newsam to be Chairman and
Mr. R. J. Whittick of the Home Office
to be Secretary to the Committee.

(Signed) J. Chuter Ede.

WHITEHALL, S.W.1.
Report of the Committee on Chief Constables' Pay

To the Rt. Hon. J. Chuter Ede, M.P.

H.M. Secretary of State for the Home Department.

Sir,

1. We were appointed on 21st January, 1947, to consider, and to submit proposals for, the rationalization and reduction of the present unduly large number of scales of pay for Chief Constables in England and Wales in the light of their present day responsibilities, duties and conditions, including the changes that will be effected in pursuance of the Police Act, 1946. We have held three meetings and we have the honour to present to you this report of our conclusions. You will see that we have considered it to be within our terms of reference to consider the scales of pay for Assistant Chief Constables since they are so closely linked with our main subject.

Introduction

2. It will be convenient if we begin by setting out briefly a historical account of the subject. Before 1919 the pay of Chief Constables was not governed by any uniform principle, and the Desborough Committee found wide differences between the remuneration of Chief Constables whose responsibilities—as far as could be judged—were very similar. The Desborough Committee considered that the salaries of Chief Constables required revision no less than those of other ranks in the police service. They considered that it was not possible to fix the salaries of Chief Constables of Borough forces merely on a basis of the strength of the force and/or the population of the police district, and that to fix the salaries of County Chief Constables on any such hard-and-fast rule would be even less appropriate. They did, however, think it was possible to lay down certain minimum limits, and they recommended that the pay of Chief Constables on appointment in Borough forces should not be lower than the general level indicated in the following table:

<table>
<thead>
<tr>
<th>Strength of the force</th>
<th>Population of the police district</th>
<th>Minimum rate of pay on appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>60—70</td>
<td>50,000</td>
<td>£500</td>
</tr>
<tr>
<td>125—150</td>
<td>100,000</td>
<td>£600</td>
</tr>
<tr>
<td>225—275</td>
<td>180,000</td>
<td>£750</td>
</tr>
<tr>
<td>400—450</td>
<td>275,000</td>
<td>£900</td>
</tr>
</tbody>
</table>

with a rent allowance if a house was not provided. The Committee also recommended that the pay should rise by fixed increments according to length of service in the rank.

3. The Secretary of State accepted these recommendations and invited each police authority to submit for his approval a scale of pay for the post
of Chief Constable based on the following principles which he put forward as a guide:—

(a) The minimum should be determined in accordance with the table for Borough Chief Constables quoted above, County Chief Constables to have no less than the figure indicated for a Borough force of corresponding size.

(b) The difference between the minimum and the maximum should be about one-quarter or one-third of the former.

(c) The maximum should be reached after 8 to 10 years' service as Chief Constable—i.e., the scale should rise by four or five biennial increments or three triennial increments.

The initiative in fixing scales was left to the individual police authorities, and the Secretary of State was concerned mainly to secure that the scales that were adopted reflected the responsibilities of the various Chief Constables' posts and could stand comparison with one another from that point of view. One result of this approach, however, was that a comparatively large number of scales was approved.

4. Although there was no general review of Chief Constables' pay until 1938, a large proportion of the scales that were fixed in 1920 were subsequently reviewed individually at the request of particular police authorities, many of whom were able to show that the responsibilities of their Chief Constable had altered and that in consequence the post justified a different scale of pay. This gave rise to a steady upward trend in Chief Constables' scales of pay in the period of 18 years after 1920. The cumulative effect of this piecemeal revision was considerable, as may be judged from the fact that when the Home Office looked into the matter in 1937, it was found that no fewer than 106 out of 178 scales had been revised between the years 1930 and 1937 alone.

5. In 1938, it was represented on behalf of Chief Constables that the time had come for a complete review of Chief Constables' scales of pay on the grounds:—

(a) that there had been a general increase in their responsibilities since the settlement in 1920;

(b) that, during the same period, material improvements in the pay of Local Government Officials had left Chief Constables comparatively worse off; and

(c) that an improvement during 1937 in the pay of Superintendents had upset the relationship between Chief Constables' scales and those of the subordinate ranks.

These representations were considered by the Home Office in consultation with the County Councils' Association and the Association of Municipal Corporations, and the Secretary of State accepted a suggestion made by the two Associations that there should be a general increase by 10 per cent. in the existing scales, combined with an adjustment in any scales which, as a result of the piecemeal alterations mentioned in paragraph 4, had fallen out of alignment with those fixed for posts of comparable responsibility. New scales fixed in accordance with this decision were recommended to police authorities and, in the end, were all adopted, though there was a delay of as much as two or three years by a few police authorities.

6. During the 1939-1945 war, members of the police service were given an addition to their emoluments of the same amount as the "war bonus" granted to civil servants. To begin with, it was confined to the lower ranks and was...
known as a "supplementary allowance," i.e., a non-pensionable addition to emoluments. This allowance was increased in amount from time to time to meet the changing conditions brought about by the war: its award was progressively extended to higher paid members of the service: and it was finally made a pensionable "war supplement" to pay. Chief Constables first became entitled to this additional emolument on the 1st June, 1942, when its award was confined to those whose rate of pay at the time (including rent allowance or the value of a provided house) was £500 a year. By the beginning of March, 1945, when police pay as a whole was again reviewed, the "war supplement" was £60 a year and the upper limit for its award had been increased to £1,500 a year. With effect from the 1st April, 1945, the "war supplement" was consolidated with pay, which was increased at the same time. As it affected Chief Constables, this review brought about an increase in each scale of 10 per cent. of its minimum, together with the consolidation of the whole amount of the war supplement where it was due. New scales assessed on this basis were ultimately adopted by all police authorities.

7. In 1946, police pay was again reviewed, the increase taking effect from the 6th November of that year. As part of that review, you have recommended, with the concurrence of the County Councils' Association and the Association of Municipal Corporations, that Chief Constables' scales should be increased by sums ranging between £50 and £60 and that the increments should be so fixed that the maximum is reached in all cases after 5 years' service instead of 8, 9 or 10 years. The latter change, which marks a departure from the principles put forward by the Secretary of State in 1920, was made in deference to the views of the representatives of Chief Constables who argued that, by comparison with conditions in other occupations, 8 to 10 years was an unduly long period for a man to wait for the maximum of his scale of pay after reaching the highest rank in his profession. The scales suggested to police authorities are set out in col. (3) of Appendix I. At the time of our deliberations, some had been adopted by police authorities and the others were still under consideration.

8. Since each general review provided for an increase on the basis of the scales then in force, the wide diversity of scales adopted in 1920 has not been materially affected. To quote in detail the evolution of the scales for the Chief Constables of all forces would serve no useful purpose, but it may be of interest to trace the changes in a few representative examples:

<table>
<thead>
<tr>
<th>Force</th>
<th>1914</th>
<th>1920</th>
<th>1937</th>
<th>1939</th>
<th>1944 (approximate)</th>
<th>1945</th>
<th>1947 (recommended)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lancashire</td>
<td>1,000</td>
<td>1,500-2,000</td>
<td>no change</td>
<td>1,700-2,200</td>
<td>no change</td>
<td>1,850-2,350</td>
<td>1,900-2,400</td>
</tr>
<tr>
<td>Birmingham</td>
<td>1,100</td>
<td>1,350-1,750</td>
<td>1,500-2,000</td>
<td>1,700-2,200</td>
<td>no change</td>
<td>1,850-2,350</td>
<td>1,900-2,400</td>
</tr>
<tr>
<td>Manchester</td>
<td>1,250</td>
<td>1,350-1,750</td>
<td>1,500-2,000</td>
<td>1,700-2,200</td>
<td>no change</td>
<td>1,850-2,350</td>
<td>1,900-2,400</td>
</tr>
<tr>
<td>Glamorgan</td>
<td>900</td>
<td>1,400</td>
<td>1,100-1,400</td>
<td>1,200-1,500</td>
<td>1,260-1,500</td>
<td>1,375-1,675</td>
<td>1,425-1,725</td>
</tr>
<tr>
<td>Leeds</td>
<td>800</td>
<td>1,100-1,400</td>
<td>no change</td>
<td>1,250-1,550</td>
<td>1,310-1,550</td>
<td>1,400-1,700</td>
<td>1,450-1,750</td>
</tr>
<tr>
<td>Derbyshire</td>
<td>800</td>
<td>900-1,150</td>
<td>no change</td>
<td>1,000-1,300</td>
<td>1,060-1,360</td>
<td>1,160-1,460</td>
<td>1,210-1,510</td>
</tr>
<tr>
<td>Newcastle-on-Tyne</td>
<td>500</td>
<td>900-1,150</td>
<td>1,000-1,300</td>
<td>1,100-1,400</td>
<td>1,160-1,460</td>
<td>1,270-1,570</td>
<td>1,320-1,620</td>
</tr>
<tr>
<td>Swansea</td>
<td>550</td>
<td>675-900</td>
<td>700-900</td>
<td>800-1,000</td>
<td>860-1,060</td>
<td>940-1,140</td>
<td>1,000-1,200</td>
</tr>
<tr>
<td>Coventry</td>
<td>500†</td>
<td>625-800</td>
<td>750-1,000</td>
<td>900-1,200</td>
<td>960-1,260</td>
<td>1,050-1,350</td>
<td>1,100-1,400</td>
</tr>
<tr>
<td>Reading</td>
<td>500-600</td>
<td>600-750</td>
<td>600-800</td>
<td>700-900</td>
<td>760-960</td>
<td>830-1,030</td>
<td>880-1,080</td>
</tr>
</tbody>
</table>

* Plus a personal, non-pensionable allowance of £250 to the then Chief Constable.
† Plus a non-pensionable allowance of £30.
9. The pay of Assistant Chief Constables has always been closely related to that of Chief Constables, and most of what has been said in the preceding paragraphs of this note applies equally to Assistant Chief Constables' scales. The rank is now approved in considerably more forces, however, than originally.

Comparative Criteria for scales of pay

10. We have taken as the starting point of our study three principles which are, we think, sufficiently self-evident to need no argument in their support:

(a) The scale of pay for any Chief Constable should be based solely on the police responsibilities arising out of his post;

(b) the scale should be related to the post and should not depend in any way upon the merits of any particular holder; and

(c) Chief Constables' posts of comparable police responsibilities should have comparable scales of pay.

With these principles in mind, we have cast around for criteria which would enable us to measure the police responsibilities of various Chief Constables' posts against each other with sufficient accuracy to warrant their use in fixing scales of pay. We discuss various possibilities in succeeding paragraphs.

11. The Desborough Committee's conclusions on the subject are contained in paragraph 54 of their report, which reads as follows:

"We do not think it possible to fix the salaries of Chief Constables, even Chief Constables of the Borough forces, merely on a basis of strength of forces and/or population, partly because of the considerable variations in the strength of the forces in towns of about the same size, and to fix the salaries of County Chief Constables on any such hard-and-fast rule would be even less appropriate."

We understand that your Department has always subscribed to this view in assessing the responsibilities of Chief Constables' posts, and hence in determining the appropriate scales of pay. The Department recognised that establishment was probably the most material single factor to be taken into account, but gave full weight to the views of police authorities as to the existence of any special circumstances which might tend to differentiate the responsibilities of particular Chief Constables' posts from those of others in forces with comparable establishments. For this purpose, the Home Office was prepared to take into account, in a general way, arguments based on such factors as the size of the population of the police district, the characteristics of the police district and its population as judged by its record of crimes and disorders, the area of the police district and the mileage of streets and roads. For historical reasons (see paragraphs 2 to 8) a comparatively large number of scales has been approved in the past. These may reflect, perhaps, attempts at a more accurate assessment of responsibilities than is advisable or even possible; but, more probably, they are the result of deferring to the greatest possible extent to the views of the individual police authorities who, as the Police Regulations stand, are primarily responsible for fixing the scales of pay for Chief Constables.

12. If the present diversity of scales is to be reduced to reasonable proportions, we are convinced that some simpler basis than this must be adopted and, despite the Desborough Committee's views on the subject, we have
sought to find a single criterion for the purpose. Criminal statistics would reflect only one aspect of police work, and population, by itself, would be unreliable since, to quote an obvious example, a sea-port with a high proportion of visiting foreign seamen is likely to give rise to more serious crime and more police responsibility than an inland town of the same size where the population is stable. In the authorised establishment of the force, however, we think we have found a criterion that will serve the purpose. We realise that its use is open to objections. The number of men necessary to maintain efficient policing in a particular district is, within certain limits, a matter of opinion. Different police authorities have different views about the scale of policing desirable for their districts, and we understand that the Home Office policy in the past, when authorising police establishments, has been to allow police authorities as wide a discretion as possible. At the present time, therefore, the nature of police problems arising in police forces and the responsibilities of Chief Constables’ posts may not in all cases be closely reflected in authorised establishments; and could not be unless your control were actively and even rigidly exercised to remove local idiosyncrasies. But we know that most police authorities have recently reviewed, or are at present in process of reviewing, police establishments in the light of post-war needs: we are assured that your Department, in consultation with His Majesty’s Inspectors, the Chief Constables and the police authorities concerned, gives close consideration to all relevant factors affecting police responsibilities before each establishment is finally fixed: and we believe that, in the end, this process will result in a sufficient degree of consistency for the authorised establishment of a force to be used as an index of the responsibilities of the Chief Constable’s post. We recommend, therefore, that the number of police men and women authorised in each force should be the sole factor determining which scale of pay in a given range should be attached to the Chief Constable’s post. For this purpose “additional constables” (i.e., those whose cost does not fall upon the Police Fund and whose numbers are not included in the authorised establishment of the force) should be aggregated with the authorised establishment; and if any Chief Constable receives from an outside source a separate salary for taking charge of “additional constables,” his scale of pay from the Police Fund should be assessed on the basis of the total number of constables (including additional constables) supervised, and his subsidiary salary should be brought to the credit of the Police Fund.

13. For the sake of completeness, we would like to mention a topic that has been raised more than once in the past. It has been argued from time to time by certain police authorities or Chief Constables, and by the Associations representing Chief Constables, that the post of Chief Constable in any force should have a scale of pay approximately level with the salary of the senior local authority officials. The comparison is a natural one for a police authority or a Chief Constable to make, but there is no consistency among the salaries of comparable local officials, and it would not be possible to fix Chief Constables’ scales in relation to the salaries of any particular local authority officials in any particular district without offending against the general principle, mentioned in paragraph 10 above, that Chief Constables’ posts of comparable responsibilities should have comparable scales of pay.

Subsidiary Emoluments

14. Regulation 73 of the Police Regulations permits members of police forces to receive payments for the performance of certain extraneous duties, and we find that a number of Chief Constables receive allowances, sometimes of substantial amounts, for the supervision of work in connection with Local
Taxation, the Diseases of Animals Acts, inspection of weights and measures, etc. In our view, the fact that a Chief Constable is appointed on the understanding that he will devote his whole time to the duties of his post makes it difficult to justify the accretion of extraneous duties which are not within the ambit of police work proper. If new scales of pay are to be fixed for Chief Constables they can only be on the basis of the police duties performed, and we recommend, therefore, that with the exception of Local Taxation work, Chief Constables should, as from the date of the introduction of any new scales which may result from our recommendations, be relieved of all responsibility for the extraneous duties which they have been undertaking apart from those performed in pursuance of a specific statutory requirement (e.g., Diseases of Animals Acts, Explosives Act and Petroleum Acts); and that emoluments for all such extraneous duties should be discontinued from the same date.

Local Taxation duties fall into two categories: the actual issue of excise licences, and the inspection of vehicles, etc., for the enforcement of the regulations. It seems to us right that the police should continue to carry out the latter class of duty, but we do not think the Chief Constable should receive any extra emoluments on this account. As regards the former class of duty, we are unanimous in thinking that it is not a proper function for a Chief Constable. We think that where the work is now being done by the Chief Constable the responsibility should be transferred to the local authority at the earliest possible moment. Until the transfer of responsibility is effected, however, a Chief Constable who is performing the work should continue to receive his present emoluments for it.

Number of Scales

15. As we have pointed out earlier in this report, there is at present a wide diversity of scales for Chief Constables' posts, and in considering to what degree this diversity should be reduced, we have borne in mind the benefits that accrue to the police service as a whole from the present tendency of Chief Constables to seek, from time to time, a transfer to larger commands. Each change of command brings to the force a fresh outlook on day-to-day problems and helps to counteract any tendency to stagnation which might arise with too great continuity of command. We think, therefore, that the number of scales should not be so far reduced as to remove a reasonable degree of incentive for Chief Constables to transfer to larger commands, and we recommend, as a reasonable compromise, the introduction of not less than nine different scales of pay.

Pay-groups

16. Taking the total establishment of the force as our criterion (in accordance with the views recorded in paragraph 12 above) we have classified the posts of Chief Constable in England and Wales into the following nine groups:

<table>
<thead>
<tr>
<th>Establishment of Force</th>
<th>Number of posts affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Less than 75 strong</td>
<td>(9 posts)</td>
</tr>
<tr>
<td>(b) Between 75 and 125 strong</td>
<td>(24)</td>
</tr>
<tr>
<td>(c) 126..200</td>
<td>(28)</td>
</tr>
<tr>
<td>(d) 201..300</td>
<td>(16)</td>
</tr>
<tr>
<td>(e) 301..400</td>
<td>(14)</td>
</tr>
<tr>
<td>(f) 401..600</td>
<td>(17)</td>
</tr>
<tr>
<td>(g) 601..800</td>
<td>(8)</td>
</tr>
<tr>
<td>(h) 801..1,200</td>
<td>(5)</td>
</tr>
<tr>
<td>(i) Over 1,200 strong</td>
<td>(6)</td>
</tr>
</tbody>
</table>

and we recommend that a standard scale of pay should be fixed for each of
the groups (a) to (h). The posts are listed in full according to their pay-groups in Appendix 1 (on the basis of existing establishments).

"Margin of Toleration"

17. We have considered whether the classification into pay-groups ought to be subject to the qualification that any small increase or decrease in establishment bringing the force into the pay-group immediately above or below should not necessarily involve an increase or decrease in the scale of pay for its Chief Constable. We have come to the conclusion, however, that any such "margin of toleration" would be inconsistent with our recommendation that the establishment of the force should be the sole criterion for determining which of a given series of scales should apply to each post of Chief Constable, and we decided not to recommend its adoption. We agree, however, that when a decrease in the establishment of a force takes place and the Chief Constable's post falls into a lower pay-group, the Chief Constable then in office should not suffer financially, the necessary adjustment in the scale of pay being left until the post next becomes vacant.

Scales of Pay

18. We have considered whether it would be possible to assess the amounts of the scales of pay for each of the pay-groups by reference to the emoluments of men in other professions, but we have come to the conclusion that there is no other occupation with which comparisons could usefully be made. We think, however, that under present conditions the pay of a Chief Constable in charge of a force of 100 should be in the region of £1,000 a year, and from this general conclusion we have derived the following scales of pay which we recommend for adoption:

<table>
<thead>
<tr>
<th>Pay-group</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Force Establishment under 75</td>
<td>£750-£50-£1,000</td>
</tr>
<tr>
<td>(b) 75-125</td>
<td>£950-£50-£1,200</td>
</tr>
<tr>
<td>(c) 126-200</td>
<td>£1,100-£50-£1,350</td>
</tr>
<tr>
<td>(d) 201-300</td>
<td>£1,250-£50-£1,500</td>
</tr>
<tr>
<td>(e) 301-400</td>
<td>£1,350-£50-£1,600</td>
</tr>
<tr>
<td>(f) 401-600</td>
<td>£1,450-£60-£1,750</td>
</tr>
<tr>
<td>(g) 601-800</td>
<td>£1,550-£70-£1,900</td>
</tr>
<tr>
<td>(h) 801-1,200</td>
<td>£1,750-£70-£2,100</td>
</tr>
</tbody>
</table>

Appendix 1 shows the forces to which these scales would apply.

In putting these scales forward, we have taken into account the fact that a Chief Constable receives a free house or a rent allowance free of income tax; and we link our recommendation of these scales with the recommendation in paragraph 14 above that certain subsidiary emoluments should be given up.

It will be observed that we do not recommend specific scales for the posts (at present six in number) in the group of forces over 1,200 strong. Their establishments vary greatly in size, and we are satisfied that more than one scale will have to be fixed within this group. We think that, on a comparison with the other scales, the lowest should be in the region of £1,900—£2,300; but we feel that the best course would be to leave the actual amounts to be settled, by consultation between the police authorities concerned and your Department, on the general basis recommended in this Report.

Assistant Chief Constables

19. We recommend new scales of pay for Assistant Chief Constables in forces between 401 and 1,200 strong, on the basis of the same pay-groups as for Chief Constables, and assessed at roughly two-thirds of the amounts
put forward for Chief Constables. They are set out in full in Appendix II. We think that the scales for Assistant Chief Constables in forces more than 1,200 strong should, like those of the Chief Constables in that group, be left for individual settlement between your Department and the police authorities concerned, and we think the scales should be equivalent to between 60 per cent. and two-thirds of those that are fixed for Chief Constables in this group. In forces over 1,200 strong, the establishment normally provides for two Assistant Chief Constables, and we recommend that the senior Assistant Chief Constables in these forces should have a pensionable addition to pay of the order of £100 a year in recognition of the added responsibilities which arise out of their having to perform the functions of Deputy Chief Constable.

Changes arising out of the Police Act, 1946

20. One effect of the mergers carried out in pursuance of the Police Act, 1946, has been that, as from 1st April, 1947, the establishments of certain county forces (and the responsibilities of the Chief Constables) have been considerably increased. We have discussed three possible methods of recognising these increased responsibilities, namely:

(a) that the scales of pay of the Chief Constables concerned might be increased, as from 1st April, on the basis on which Chief Constables' scales have hitherto been fixed; and the new scales that we recommend in this report should apply to Chief Constables generally at a later date;

(b) that the new scales recommended in this report might apply, as from 1st April, only to the Chief Constables affected by the mergers, and to other Chief Constables at a later date; and

(c) that the new scales that we recommend for Chief Constables might apply to all alike as from the 1st April.

The second of these courses would be unfair to the majority of Chief Constables, and the choice seems to us, therefore, to lie between the first and the third. Of these, we think that the balance of advantage lies with the third, and we accordingly recommend that the scales we put forward in this report should come into effect from 1st April. In arriving at this view, we have been influenced by the facts that you appointed us to go into the subject as long ago as the 21st January, and that we had already reached substantial agreement before the 1st April on the scales that we suggest in this report.

Summary of Recommendations

21. Our main recommendations may be summarised as follows:

(a) The total establishment of the force (including policewomen and "additional constables"), should be the sole criterion for assessing the Chief Constable's responsibilities, and hence in deciding which scale of pay in a given range should apply to him.

(b) Your Department should exercise such control as may be necessary to ensure that there is a reasonable degree of consistency in the authorised establishments of the different police forces.

(c) All Chief Constables should have increased scales of pay. New scales of pay for eight different pay-groups in forces up to 1,200 strong are recommended for adoption. New scales, assessed on a similar basis, should be fixed individually by the police authorities of forces more than 1,200 strong, in consultation with your Department.
(d) Assistant Chief Constables should have increased scales of pay. New scales are suggested for Assistant Chief Constables in forces between 401 and 1,200 strong, based on the same pay-groups as, and assessed at approximately two-thirds of, the corresponding scales for Chief Constables. New scales, assessed at between 60 per cent. and two-thirds of the Chief Constables' scales, should be fixed individually for the Assistant Chief Constables in forces more than 1,200 strong by the police authorities concerned in consultation with your Department. The senior assistant Chief Constables in this group of forces should have a pensionable addition to pay of the order of £100 a year.

(c) As from the date of the adoption of the new scales, Chief Constables and Assistant Chief Constables should be relieved of all responsibility for extraneous duties which they have been undertaking, apart from those performed in pursuance of a specific statutory requirement; and these should cease to attract any separate emoluments. We make a temporary exception in favour of certain forms of Local Taxation work.

(f) The new scales should be introduced with effect from the 1st April, 1947. If this is done, no further steps need be taken to recognise the increased responsibilities falling upon certain Chief Constables and Assistant Chief Constables as a result of the mergers made in pursuance of the Police Act, 1946.

22. We would wish to make particular reference to the great assistance which has been given to us throughout our deliberations by Mr. R. J. Whittick, of the Home Office, the Secretary of the Committee. Both in preparing historical and other matter for our consideration and in drafting our report, his detailed knowledge and assistance have been invaluable to us.

We have the honour to be,

Sir,

Your obedient Servants,

(Signed) F. A. Newsam (Chairman)
S. J. Baker
J. H. Burrell
Philip Henriques
A. F. Hordern
W. J. Hutchinson
Joseph Q. Lamb
John Ormerod
O. C. Purnell
H. Studdy
T. J. W. Templeman
F. Thraves
T. R. P. Warren
Thos. Waterhouse
J. Williamson

(Signed) R. J. Whittick, Secretary.

Home Office,
Whitehall, S.W.1.


## Appendix I

### Force Establishments and Chief Constables’ Scales of Pay

<table>
<thead>
<tr>
<th>FORCE</th>
<th>ESTABLISHMENT (2)</th>
<th>PAY-GROUPS and SCALES RECOMMENDED (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>MEN</td>
<td>WOMEN</td>
</tr>
<tr>
<td>---------</td>
<td>-----</td>
<td>-------</td>
</tr>
<tr>
<td>Rutland</td>
<td>25</td>
<td>—</td>
</tr>
<tr>
<td>Merioneth</td>
<td>41</td>
<td>—</td>
</tr>
<tr>
<td>Cardigan</td>
<td>50</td>
<td>2</td>
</tr>
<tr>
<td>Tyne River</td>
<td>52</td>
<td>—</td>
</tr>
<tr>
<td>Anglesey</td>
<td>54</td>
<td>—</td>
</tr>
<tr>
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§ Combined force. † Joint post of Chief Constable.
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† Joint post of Chief Constable.
* Forces affected by mergers.
§ Combined force.
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* Forces affected by mergers.
§ Combined force

15
## Appendix II

### Scales of Pay for the (First) Assistant Chief Constable

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† Forces affected by mergers.
* Personal scale.
§ Combined force.

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16
CABINET

EUROPEAN ECONOMIC CO-OPERATION

Memorandum by the Secretary of State for Foreign Affairs and the Chancellor of the Exchequer

The Foreign Secretary will be attending the meeting of the Committee of European Economic Co-operation which will begin in Paris on 15th March. The purpose of the meeting is to start the work of forming the continuing organisation of the participating countries which is envisaged in the Paris Report and forms an integral part of the Marshall Plan.

2. The attached report of the London Committee describes the problem which faces Europe and proposes a course of action and machinery for making it effective. This is proposed as an instruction for our delegation to the Committee of European Economic Co-operation.

3. The Foreign Secretary must be in a position at Paris to state definitely the Government's attitude to European economic co-operation. We are the only country that can give a lead and public opinion here and in Europe and in the United States is awaiting this lead. Upon the lead which we give will depend the possibility of success of this whole enterprise of European recovery and the Marshall Plan.

4. We must emphasise the gravity of the situation which confronts us and the other Western European countries alike. The first step necessary to avoid economic catastrophe is the rapid enactment of the European Recovery Programme, but our problem goes much deeper than that.

5. It is an open question whether the Western European economy (with which we are closely interlinked) can, even with the help of the European Recovery Programme, recover to anything approaching the pre-war standard of living. Taking the very favourable assumptions of the American statistics the participating countries (and their Colonies) will have only got two-thirds of the way towards paying for their essential imports from the Western Hemisphere by the end of the Marshall Plan period. Unless we and the European countries make a single-minded effort for the next four years with the direct purpose of balancing our accounts with the Western Hemisphere the Marshall Plan will fail in its purpose, and when it ends we shall be confronted with the same grim problems as face us to-day. In such circumstances it must be doubted whether Western Europe could survive in the sense in which we have known it in the past. Either we should have to become permanent pensioners on the United States or we should survive in a state of continuous economic uncertainty and poverty with all the disintegrating political and social results that would follow.
In this situation the only practical course which is open to us is to go to work with the European countries in order to try and work through our common difficulties. It is only by positive action by this country, in full association with the Commonwealth, that we ourselves and Western Europe can be saved.

It would, in theory, be possible for us to seek a solution to the problem of the Commonwealth and Empire by our own efforts and to turn our backs on Europe. But the resources of the Commonwealth are not sufficient to make this a practical solution of our problems within the time available. Nor would we remain unaffected by the continuing economic crisis in Europe and its political results. Apart from this we are committed, as a condition of receiving Marshall Aid, to co-operate with the other 16 European nations.

There is therefore no option for us. We must link ourselves more closely with Western Europe. It is however of the utmost importance that this closer linkage with Europe should not weaken our connection with the Commonwealth. We should take the greatest care to keep them informed of what we are doing and why we are doing it and to seek their positive support and help. The Commonwealth Governments are being informed of the substance of the attached paper and we propose that a further message should be sent to their Prime Ministers though they should not be asked at this stage for any formal approval.

We are anxious that our colleagues should realise that the decision to involve ourselves in an economic organisation with other Western European countries and to play a leading role within it is a step of far reaching consequences. In itself and immediately it does not mean any sudden or dramatic change to a new system of economy at the present time. But it will in all probability lead by gradual steps to a profound change in our present economic system. We shall be engaged in planning a modified Western European economy, in close association with the other participating countries, with the object of making ourselves, during the period of Marshall Aid, as far as possible independent economically of the United States.

In economic terms, and leaving on one side questions of security, we shall bring into being a potentially strong economic entity consisting of the countries of Western Europe and their overseas territories backed, we hope, by the members of the Commonwealth.

The process will be a gradual one. But once it has begun it will not be easy to draw back, and any retreat will become progressively more difficult. It is therefore essential that we should take the initial step in full realisation of all the possible consequences. Economically, we shall have to make our plans in association with others. We shall not always be able to do as we would wish in our own interest. We shall be bound to take account of the collective interest of the other participating countries. Changes of a radical nature in our industrial and agricultural structure may become necessary to secure the economic independence of the Western European countries as a whole and to use our collective resources to the best advantage. It is not possible to foresee what these changes will be, but clearly the conception of a planned European economy to take the place of the several un-co-ordinated economies which exist to-day must entail many important changes both for us and for the other participating nations. It is only by changes in and re-integration of our economies that we can have our economic freedom.
12. These closer economic links will involve closer political and social ties with the other participating countries. This carries other risks. We shall be associating ourselves with partners in Western Europe whose political condition is unstable and whose actions may be embarrassing to us. We shall be more intimately affected by what happens in France or the Low Countries or Italy than we have been in the past. This may in turn affect the Commonwealth, and will require close and continuous consultation with them. But we may hope that a rising standard of life and prosperity in Europe may create an increased demand for Commonwealth products.

13. We shall of course have it in our power to moderate the process and to steer it with this in mind. Our influence in the European Organisation will be very great and should be decisive on major issues.

14. There is another important factor. The Continuing Organisation will of necessity have to work in close association with the United States Government, who will accredit a special Embassy to it. Its success will depend as much on the continued flow of United States aid as on the efforts of its members to self-help. While the main objective which we have outlined is certainly in harmony with United States views, the achievement of it may involve economic action which in concrete cases may give rise to opposition in the United States and lead to serious friction during the period of the European Recovery Programme.

15. It remains to be seen whether our action, in conjunction with other European nations, can give the necessary lead, and raise in the hearts and minds of the peoples of Europe that confidence which will restore their vigour and faith. This is the motive behind our proposals for the Continuing Organisation, and we intend to pledge ourselves to do all in our power to see that this Organisation succeeds. We are sure, living here as we are among the potential dangers which threaten us, that this action is necessary for our security and our survival.

16. We therefore recommend:

(i) that the Cabinet endorse the recommendations of the attached paper and authorise the Foreign Secretary to give a strong lead to the Committee of European Economic Co-operation on these lines.

(ii) that a message be sent to the Commonwealth Governments informing them of and explaining the Cabinet decisions and asking for their support.

E.B.
R.C.S.

6th March, 1948.
1. There will be a meeting of the Committee of European Economic Co-operation in the middle of March, at which a working party of the 16 participating countries will be set up to consider the functions and constitution of the continuing organisation provided in the Paris Report. From these discussions will emerge the shape of the continuing organisation, and thus the nature of the European economic co-operation which will take place in the period of the European recovery programme.

**Purpose of Continuing Organisation**

2. In our view, it is desirable that the purpose of the continuing organisation should be formulated precisely. If it is given vague terms of reference (e.g. "to foster European economic co-operation") it will never set to work at all, and it will spend its time discussing the various countries' hobby-horses (French proposals for customs unions, Belgian proposals for transferability, Italian proposals for increased trade in fresh fruit, etc.). It must have a clear objective.

3. The central problem of the participating countries, singly and collectively, is the trade deficit with the Western Hemisphere. According to the United States calculations, only one-third of the participating countries' imports from the Western Hemisphere in 1948-49 will be paid for by exports; in 1951-52, even on very favourable assumptions, these countries' exports to the Western Hemisphere will cover less than two-thirds of the imports they require. This means that on present plans, at the end of the four years of the European recovery programme, the participating countries (singly and collectively and taking their dependent territories' dollar earnings into account) will not be in balance with the Western Hemisphere. This would mean that either a further Marshall Aid programme would be required or the countries would face an acute standard-of-living and employment crisis.

4. Clearly we cannot contemplate being in such a position ourselves; nor can we tolerate that Western Europe generally should be in such a plight. This would be failure of the attempt to rebuild Europe. Moreover, the signs of this impending failure would appear long before the four years were out, and Congress might well decide to write the whole Plan off, and would stop throwing good money after bad.

* For the purposes of this paper Europe means the 16 participating countries and their dependencies.
5. In our view, therefore, it is necessary that the main activity of the continuing organisation must be to right the participating countries' deficit with the Western Hemisphere, that the various countries' national action should concentrate on this, and that European co-operation should be specifically directed to this purpose. This could be expressed:

"The purpose of the continuing organisation shall be to ensure the success of the European recovery programme, and in particular to ensure that by the end of the European recovery programme period, the participating countries will become independent of extraordinary assistance."

The last phrase is a quotation from the draft European Co-operation Bill. It provides the most acceptable definition of the purpose of the continuing organisation from the American point of view.

Functions of Continuing Organisation

6. The functions of the continuing organisation could best be defined in relation to the purpose, giving wide authority to initiate and carry out co-operative action for this purpose. Our general idea is that the problem should be attacked in two ways:

(i) by building up production in Europe (and Colonies) to replace imports from the Western Hemisphere, and by building up exports to the Western Hemisphere: this would be examined commodity by commodity, by Governments in association with the industries concerned.

(ii) by taking general measures, e.g. to reduce trade barriers in Europe and to develop improved payments arrangements within Europe, consistent with the main objective.

7. The continuing organisation should thus be empowered to examine and foster all forms of co-operative action designed to reduce the participating countries' deficit with the dollar area. It would proceed step by step and commodity by commodity, concentrating first upon the measures which could provide the greatest economic benefit, and upon which agreement could be readily secured. The organisation would of course have to work by securing agreement between the countries concerned on specific problems; there could be no question of instructions being given by the organisation to the individual members.

8. The method of operation would vary widely from case to case. The governmental, industrial and social structures of the Western European countries are diverse and cannot be fitted into one pattern of co-operation. It would therefore be necessary to develop a wide range of techniques of co-operation, each suited to the particular problem to be solved. Under the auspices of the continuing organisation, a network of inter-governmental agreements (often associated with inter-industrial agreements) would take shape, all directed to the main purpose.

9. Participation in European co-operation on these lines would require the United Kingdom (and other European countries) to make adjustments in economic structure which will create difficulty. But we cannot avoid the need to make such adjustments. If we seek to right our position by our own efforts
alone, changes in our industrial and agricultural structure will be inevitable—either deliberate or imposed by the force of events; our present pattern of production, consumption and trade will require considerable modification to eliminate the dollar deficit. If on the other hand we embarked upon a far-reaching automatic policy of European co-operation (such as a customs union, developing towards complete economic union), great changes would likewise be required; free imports from Europe would have radical effects upon all our industry and agriculture. There is no reason to suppose that the changes which would flow from the type of co-operation outlined in the paper would be greater and more difficult than in either of these alternatives, and there is some reason to think they would be less.

10. The fact does remain, however, that this line of approach deliberately limits our freedom of action in the economic field; it will involve making commitments to other participating countries; it is likely to involve some changes in our economy which will create serious problems. But it is submitted that we really have no choice; by accepting Marshall Aid, we commit ourselves to European economic co-operation, and the scheme proposed at least seeks to secure that this co-operation will be constructive in character and will be carried out in a controlled manner. Moreover, this concentration upon specific dollar-saving and dollar-earning co-operation presents the least possible difficulties with the sterling Dominions, who are now co-operating with us towards the same objective.

11. There are certain specific functions of the continuing organisation to which we attach importance, and on which it is submitted that our Delegation should be given precise instructions:

(i) Allocation. It is certain that the effect of the European recovery programme will be to widen the scope of allocation of scarce commodities. This is a tendency which we cannot resist. We should, however, seek to develop the existing international machinery for allocation rather than set up new allocation machinery under the continuing organisation. In particular, we should retain the present system of world-wide allocation of certain foods, nitrogen and seeds by Food and Agriculture Organisation Committees, and if necessary accept this machinery to cover other foods and feedingstuffs; timber, coal and pitprops should continue to be allocated through the Economic Commission for Europe; in other cases, it may be necessary to establish world-wide machinery for some, and work through the continuing organisation for others. New subjects for allocation should be treated on the merits of the commodity, and we should resist all proposals for a major change in existing allocation machinery.

(ii) Colonial Development. There would be advantage in setting up, within the framework of the continuing organisation, machinery for co-operation on questions of Colonial development between those of the participating countries who are Colonial powers. Such machinery would not be in any sense exclusive—i.e. direct contacts and consultations between one or more of the Colonial powers, such as have been taking place since the end of the war, would not be precluded and would, in fact, certainly need to continue and to
be extended. But the establishment of formal machinery under the auspices of the continuing organisation should serve to ensure that the major aim of that organisation - namely dollar-saving and dollar-earning is kept fully in mind in plans for Colonial development; and it would not give the appearance, as might the establishment of formal machinery outside the framework of the continuing organisation, of exclusive arrangements between the Colonial powers.

It is specially important that we should avoid any impression that we are ignoring the Dominions. We should therefore make it clear that we shall continue our normal practice of close consultation with them on matters affecting Colonial areas adjacent to them, and that we shall have careful regard to their views on any specific projects.

(iii) Customs Union Study Group. The continuing organisation should exercise such supervision over the Customs Union Study Group as may be consistent with differences of membership.

(iv) The Continuing Organisation should be empowered to consider the measures which should be taken (consistent both with the main principle indicated in paragraph 5 above and with the International Trade Organisation and the International Monetary Fund) to free the channels of intra-European trade, to expand its volume, and to facilitate intra-European payments.

Form of Continuing Organisation

12. In order that the work should be effective, it is necessary that the continuing organisation should be controlled by strong national delegations representing governments. The matters with which it will be dealing will be of primary importance, and will certainly involve difficult decisions for the participating countries. The only way to make this at all possible is for the delegations to be strong, carrying the confidence of the governments.

13. It is very important that the effective control should be in the hands of the national delegations, and that these should be strong enough to exercise this control and to prevent the secretariat (or an "independent" chairman) from taking action on its own. These intimate problems of economic co-operation involve to a greater or less extent a limitation upon the nations' freedom of action in matters of decisive political and economic importance. This can be done only by representatives of governments, and serious damage can be done by tactless intervention by "international" officials. For the same reason, we propose that the continuing organisation should elect its own chairman from time to time.

14. Membership should be open to all countries which are willing to participate in a joint European recovery programme (subject of course to certain obvious exceptions). Germany should be fully associated with the continuing organisation, and should have the responsibilities and rights of a full member. Preliminary arrangements for this are being worked out by the United States, France and ourselves at the Tripartite talks now in progress.
15. It will be necessary for the United States Administration to be closely associated with the work of the continuing organisation, but we feel that the United States of America should not be a member. The continuing organisation should be a European undertaking, and it should be in a position if necessary to present a collective view to the United States Administration. We should not seek "friendly aid" from the Americans for the working party meetings.

16. The continuing organisation will have to work with other inter-governmental bodies, and in particular with the Economic Commission for Europe, and the Food and Agricultural, International Trade and International Labour Organisations, etc. This may present considerable difficulties in practice, for in some cases the wider United Nations organisations are more appropriate (on grounds of membership) while in others the wider United Nations organisations are already dealing badly with (and without the essential purpose of the continuing organisation) subjects in which the continuing organisation would have to act with vigour. The continuing organisation will not wish to supersede these other inter-governmental bodies, and reasonable working arrangements will no doubt be possible in practice. But there is bound to be some difference of objective until the United Nations organisations accept (and work on) the basic importance of restoring the economic balance between United States of America and the rest of the world.

17. The problem of the Economic Commission for Europe will be particularly troublesome. We propose, however, that in view of the importance of maintaining United Nations organisations and of maintaining economic collaboration in certain fields with the Eastern European countries, we should continue to support the Commission even though this may involve great difficulties of demarcation. In particular, the Commission should continue with its present functions on coal, timber and inland transport. A time may come at which the Commission becomes an arena for conflict between participants in the European recovery programme and opponents of it, but in the meantime we should support it, while watching to ensure that it does not obstruct or duplicate the working of the continuing organisation of the programme.

18. An important question at the Paris Conference was the limitation of the existence of the continuing organisation to the period of the programme. This was necessary to obtain the support of the Scandinavians and Swiss. While formally and for tactical reasons it may be necessary for us to leave this question open, we should proceed on the assumption that, in fact, the continuing organisation will develop permanent functions.

19. We propose that the seat of the continuing organisation should be in one of the smaller capitals, e.g. Brussels. The French would not agree to its being in London, and we should not agree to its being in Paris.

20. The fifteen points in the Annex have been suggested as agenda for the working party by Benelux. These seem acceptable, subject to the various additions and qualifications set out in this paper.

21. It will be necessary for the working party to frame a draft multilateral agreement between the participating countries, as envisaged in the United States Administration's Bill, for embodiment in the bilateral agreements with the United States Administration. A further submission will be made to Ministers on this.
Conclusions

22. The London Committee asks authority for Ministers to instruct our delegation to the working party to proceed on these lines, and in particular on the following points:

(i) Purpose of the continuing organisation (paragraph 5) and general function to carry out this purpose (paragraph 6).

(ii) Working of continuing organisation by agreement of members concerned (paragraph 7).

(iii) Functions in allocation, colonial development, customs union study group, intra-European trade (paragraph 11).

(iv) Control by strong national delegations and not by "executive" secretariat (paragraphs 12, 13).

(v) Membership open to all European countries; effective participation of Germany (paragraph 14).

(vi) United States of America not to be a member (paragraph 15).

(vii) Need for close co-operation with other inter-governmental bodies (paragraph 16).

(viii) Continued support for the Economic Commission for Europe (paragraph 17).

Cabinet Office, S.W.1.

2nd March, 1948.
Points of Guidance for the Working Party

1. The continuing European organisation will be created by multilateral agreement.

2. Member can be each country which adheres to a joint programme for European recovery based on self-help and mutual co-operation.

3. The working party shall make proposals as to how Germany shall be represented in the continuing organisation.

4. The organisation should be set up as an instrument of constructive and firm European economic co-operation and it will assume the various functions necessary to ensure the success of the European recovery programme.

5. The delegates of the member-countries will decide in all matters in mutual agreement. In case matters are under discussion which do not affect all members, only the delegates of the members concerned will decide.

6. The organisation will ensure, to the fullest extent possible by joint action, the realisation of the economic conditions necessary to enable the general objectives to which each country has pledged itself to be effectively achieved.

7. It is assumed that the organisation will be simply and flexibly organised.

8. The secretariat will work in conformity with the rules agreed to by the delegates of the member-countries.

9. The charter of the organisation should be elaborated in such a way that assistance can be given in the administration of a foreign aid programme as far as it needs joint action.

10. The organisation can make recommendations to the participating countries, to foreign countries which make means available for carrying out a programme of recovery and to international organisation.

11. The organisation will make periodical reports to the participating countries on the extent to which the programme is being realised.

12. The organisation will make periodical reports to the countries which make means available for carrying out a programme of European recovery.

13. The organisation will operate in close contact with existing international organisations generally under or affiliated with the United Nations. It is understood that
the exact division of functions between the existing organisations and the new organisation cannot be arbitrarily laid down in advance.

14. The organisation must be adopted as the programme progresses in the light both of the opportunities for multilateral action and the adequacy of the existing organisations to provide the types of assistance required.

15. A draft multilateral agreement should be elaborated according to the undertakings and pledges contained in the report of the Committee for European Economic Co-operation.
Secretary

C.P. (C) 76

4TH MARCH, 1948

CABINET

STATEMENT ON PERSONAL INCOMES, COSTS AND PRICES:
FOLLOW-UP ACTION

Memorandum by the Minister of Labour and National Service

Set out below are certain steps which I propose should be taken to follow up the White Paper "Statement on Personal Incomes, Costs and Prices" (Cmd. 7321). I ask my colleagues' agreement to these proposals and also that any of them who may be directly concerned will take the action suggested.

Distribution of the White Paper

2. The fullest possible circulation should be given to the Government's statement. Accordingly -

(1) I propose to consult with the British Employers Confederation and the Trades Union Congress with a view to ensuring that the White Paper is brought formally to the notice of all joint voluntary negotiating bodies in industry, and of all of their respective constituent organisations. At the same time I will inform the Confederation and the Trades Union Congress of the action which I am taking in regard to Wages Councils and Wages Boards (see para. 4 below).

(2) The White Paper should be brought formally to the notice of all local authorities, and I would suggest that the Minister of Health and the Secretary of State for Scotland should undertake to do this.

(3) I suggest also that the Minister of Health and the Minister of Education should send the White Paper to the members of the Rushcliffe and Burnham Committees and the Secretary of State for Scotland to the corresponding Scottish Committees.

(4) I consider it most desirable that other Ministers concerned should take similar steps to bring the statement to the notice of bodies and authorities concerned with prices and profits. The Government must avoid any charge that they are more active in seeing that the principles of the White Paper are observed in connection with wages than in connection with prices and profits.
3. I do not consider that it would be appropriate to send the White Paper to the National Arbitration Tribunal, the Industrial Court and other arbitration authorities. The members of these bodies will all be fully aware of the Government's statement and can be trusted to have regard to it when making their awards. To send the White Paper to them formally might be interpreted as giving them a Government directive on the subject of wages and this, by diminishing the present regard for their independence, would seriously weaken their standing in the eyes of both sides of industry. It is of vital importance to maintain the position of the arbitration authorities at the present time and to avoid taking action which would weaken it.

Wages Councils and Wages Boards

4. Proposals by Wages Councils and Wages Boards (excepting the Agricultural Wages Board) for wage increases have to be confirmed by me before an Order giving effect to the proposals can be made. In the past it has been my normal practice to confirm such proposals unless there were legal or other technical considerations which made it undesirable. In future I propose to require the Wages Council when submitting proposals to satisfy me that they have had full regard to the considerations set out in the White Paper. I shall inform Wages Councils and Wages Boards of my decision and request them when submitting proposals in future to set out their reasons for considering that the wage increase proposed is in accordance with the principles set out in the White Paper. In some cases Wages Councils have already agreed on proposals which, in the ordinary way, they would shortly be submitting to me for confirmation. In the letter which I shall be sending to Wages Councils and Boards I propose to suggest that in such cases they should consider whether their proposals should be re-examined in the light of the principles set out in the White Paper before being sent on to me. I attach a copy of the letter which I propose to send to the Councils.

5. The Orders of the Agricultural Wages Board are not subject to confirmation by me or the Minister of Agriculture, and I suggest that the appropriate action in their case is for copies of the White Paper to be brought formally to the attention of the two sides.

Prices, charges or margins

6. Departments responsible for controlling prices and margins or giving subsidies or grants will in future have to consider whether or not a wage increase which has been granted is in accordance with the principles of the White Paper. I appreciate that they will not be able to reach a decision on this point alone and will normally have to consult other Departments, including the Ministry of Labour. My Department when consulted will provide all available information relative to the wage increase and advise on its relation to the principles set out in the White Paper. The decision as to whether, in any particular case and having regard to all the circumstances, the application for an increase in profits, etc. should be met and to what extent should, however, in my view, be for the Department responsible. It is imperative that any views which my Department express should not be disclosed.

G.A.I.

Ministry of Labour and National Service.

4th March, 1948.
ANNEX

Proposed letter to the Secretary, Wages Boards and Councils

I am directed by the Minister of Labour and National Service to refer to the statement on Personal Incomes, Costs and Prices which was published as a White Paper on 14th February, 1948.

As was made clear in the subsequent debate in Parliament on Thursday, 12th February, the present economic situation in the country calls for the utmost co-operation throughout industry and the Minister trusts, therefore, that when considering any matter likely to affect personal incomes, costs and prices, Wages Boards and Wages Councils will have full regard to the principles of the White Paper, a copy of which is enclosed for information.

As Wages Boards and Councils will appreciate, the Minister will be under a duty hereinafter when considering wages regulation proposals, to be satisfied that in reaching the proposals full regard has been had to the principles of the White Paper. For this purpose I am to request that any proposals submitted should now be accompanied by a memorandum explaining the considerations that have led the Board or Council to form the opinion that its proposals are in accordance with those principles. There are no doubt cases in which proposals have already been advertised and any representations have either been considered or are under consideration; in some cases indeed the Board or Council may already have arrived at conclusions as to the proposals which they desire to submit to the Minister. The Minister feels that in all those cases a further opportunity should be given to those entitled to make representations to consider the proposals in the light of the White Paper. Accordingly, save in exceptional circumstances, it will be desirable to re-publish the proposals and it would greatly contribute to the avoidance of delay if Boards and Councils will forthwith make arrangements accordingly. A possible exception to this rule might be where the period for lodging of representations previously allowed had provided an adequate interval after 4th February for the consideration of the proposals by all concerned in the light of the White Paper. Even in such cases, however, the Minister will wish to be satisfied that the Board or Council has itself reviewed the proposals in the light of the White Paper.

I am to request that you will bring this letter to the notice of all Wages Boards and Councils without delay.
CABINET

SERVICE ACCOMMODATION IN THE UNITED KINGDOM

MEMORANDUM BY THE MINISTER OF DEFENCE

I circulate herewith for the information of my colleagues memoranda by the Service Ministers on the subject of accommodation in the United Kingdom.

2. The outlook they report is a melancholy one. Though the reasons are different in the case of each individual Service, the position in all three is that only a minority of the men and women now serving can be considered to be even tolerably housed. All three Services are suffering from the necessity to continue using hutter accommodation hurriedly constructed during the war to minimum austerity standards and now rapidly deteriorating. The Army and the Royal Navy are also compelled to continue using antiquated barrack accommodation, some of which needs to be entirely rebuilt, while the remainder, though structurally sound, will have to be entirely gutted to bring it up to reasonable present-day standards. The worst examples of this type are perhaps the Army accommodation at Aldershot, and the naval barracks at the three Home Ports, though there are many other places in which the situation is equally bad.

3. There is also a serious shortage of married quarters in all three Services. Even on pre-war entitlement scales, it will take the Army and the Royal Air Force at present rates of progress something between ten and fifteen years to complete their programmes. The Royal Navy, which has never had married quarters in the past, is making a beginning by providing them at isolated establishments such as air stations, and is hoping to complete its very modest programme of some 5,000 houses within four years.

4. My colleagues will appreciate that the generally poor state of barrack accommodation and the serious lack of married quarters are most powerful deterrents to that general increase in the rate of regular recruiting on which we are counting to build up and reorganise our peace-time armed forces.

5. There is an urgent problem in the provision of accommodation for territorial and auxiliary forces. Though it is most acute in the case of the Army, which will require to spend no less than £13 million a year for five years in order that the Territorial Army may be ready to receive the National Service reservists from 1st January, 1950, onwards, the other two Services have similar problems, which must be tackled soon if their reserves are to be built up at an adequate rate. At present, recruiting for the reserve and auxiliary forces is extremely slow, and it cannot be doubted that the lack of suitable accommodation is one of the main reasons for this situation.

6. The Service Ministers and I fully accept that in our present circumstances large building programmes for the Services are out of the question. We do, however, feel that the Cabinet should be aware of the situation and that it should realise that the cuts in the housing programme and the general reduction of capital investment are having a serious effect upon the Services. The works labour strength allocated to the Services by the White Paper on Capital Investment in 1948 (Cmd. 7268) is not really adequate even for essential maintenance, apart from large-scale measures of rehabilitation or new construction.
7. In that White Paper it was stated that 'The Government attach great importance to meeting the requirements of the Services for housing as a major factor in maintaining morale and in stimulating regular recruiting. The Service housing programme must be considered in relation to the general programme of housing construction, but it is the policy of the Government to give favourable consideration to it, though in some areas it will, if a conflict of priority arises, have to take second place to houses for miners and farm workers.'

8. The Minister of Health has, I know, been giving most sympathetic consideration to the needs of the Services. Now that it has been decided (C.M. (48) 16th Conclusions, Minute 4) that the housing programme is to be increased, I trust that it will be possible to allocate to the Services a substantial share of this increase. Such action would, I know, have a great effect not only on the morale of men and women already in the Services, but also on regular recruiting.

9. I also observe from the memorandum recently circulated by the Chancellor of the Exchequer on the housing programme (C.P. (48) 56) that there is a risk of considerable unemployment in the building industry. I would urge that wherever such a situation arises and the surplus labour can be employed on work of any kind for the Service Departments, whether maintenance or new construction, it should be so employed, even though this might mean that the labour ceilings at present authorised are temporarily exceeded. It will in any case be necessary to press for a considerable increase in the labour allocations of the Service Departments when the time comes to settle the level of capital investment in 1949.

A. V. A.

Ministry of Defence, S.W. 1,
5th March, 1948.

I

ACCOMMODATION FOR THE NAVY, MARINES AND RESERVE FORCES IN THE UNITED KINGDOM

MEMORANDUM BY THE FIRST LORD OF THE ADMIRALTY

I am deeply concerned over our present inability to implement promises, made in Parliament, that accommodation for both married and single personnel shall be brought up to a reasonable standard.

2. Accommodation for naval personnel on shore in the United Kingdom is, by reason of their duties, concentrated largely in and around the dockyard ports of Chatham, Portsmouth and Plymouth. Until the beginning of this century, naval personnel were housed in ships and hulks afloat in the naval ports. With the construction of naval barracks on shore at Chatham (1801), Portsmouth (1903) and Plymouth (1855-1901), however, few shore-based naval ratings are now housed afloat. Other similar establishments of importance are the Gunnery School. H.M.S. Excellent, which though built about 1900, consists largely of utilitarian buildings, and the Torpedo School, H.M.S. Vernon, housed in a former Army establishment in which the accommodation of the ratings was provided by adaptation of old War Department storehouse buildings.

3. Of the Marine barracks, those at Deal, Chatham and Plymouth are of ancient construction, dating from Napoleonic days, while the Marine barracks at Portsmouth were built in 1883. Few measures of modernisation have been carried out in any of these Marine barracks.

4. Eminent consulting architects have reported to the Admiralty and advised on the best means, where feasible, of modernising the barracks, to provide a reasonable degree of comfort for the Navy and Marines on shore. Their reports indicate that complete rebuilding of the Marine barracks at Chatham and Plymouth will be necessary in order to achieve the required standard, while at the other barracks nothing less than incorporation of extensive measures of modernisation will remove most of the defects. These defects arise primarily from very inadequate standards of ventilation, heating and cooking equipment, from the lack of proper sanitary, bathing and washing facilities, overcrowding and from the need to provide conditions of greater privacy than those which now obtain in the large dormitories.
5. Accommodation in hutted camps ranges from the few reasonably satisfactory camps of the militia type to the austere Nissen camps constructed during the war at some of the remote Naval Air Stations, many of which are in a very bad state of repair. Replacement of the latter is an urgent necessity. The Admiralty are faced with the problem of providing suitable accommodation for a permanent service of 7,500 W.R.N.S. because there is no naval accommodation previously used by men which can be adapted for the purpose.

6. These commitments will involve very heavy expenditure; clearly in excess of £10,000,000. It has, however, been practicable to make financial provision of a sum of only £80,000 in the forthcoming Navy Estimates for the start of some of the most urgent items of modernisation.

7. As regards naval married quarters, it is pertinent to recall that an accompaniment of the new pay code was the expressed intention to achieve broad equality in conditions of service as between the three Services. The other Services have had married quarters for years, whereas the provision of such quarters is an entirely new commitment for the Navy. The Admiralty is consequently at a grave disadvantage in this connection and it is a cause of great disappointment and impatience in the Naval Service. We were on the point of embarking upon construction of married quarters when it became necessary to review our programme in relation to the curtailed national housing programme. Apart from a certain amount of conversion of existing buildings into a limited number of married quarters, all that we have been able to do so far is to make a small beginning of about 100 quarters only, towards an immediate requirement at home of some 5,000. While it is hoped to expand the programme appreciably during the year 1948, the fact remains that it has been possible to make provision on the Navy Estimates of only £200,000 for married quarters at home and even that figure includes some provision for civilian employees and for conversions of existing buildings.

8. The Admiralty have also to make provision for the accommodation of the reserve forces, particularly of the R.N.V.R. Whilst in principle this problem of providing for reserve forces is similar for all three Services, in size it is more manageable so far as the Admiralty are concerned. The development of reserve forces, such as the R.N.V.R. and the R.M.F.V.R., requires drill ships or corresponding shore headquarters. Many of the Admiralty's pre-war drill ships ought to be replaced by newer vessels and it is necessary to provide up-to-date headquarters to meet modern requirements for the R.N.V.R. Present-day requirements for training far exceed those which were needed before the war. These enlarged requirements arise from the greatly increased complexity of naval material. At present all that can be done on shore is to provide one headquarters (at Hull) by adaptation of an existing building at comparatively small cost. The other shore headquarters are having to remain in an inadequate condition for efficient training. To build up efficient reserves, adequate training centres will also be required for the R.M.F.V.R., for the Air and W/T components of the R.N.V.R. and possibly for the R.N.S.R. Some of these needs are about to mature.

9. Considerations of economic planning in the matter of building married quarters have been discussed at the official level between the Service Departments and the Ministry of Health pursuant to the Production Committee's conclusions of 13th October, 1947; and these considerations, in their application also to barrack and other constructional work for the Naval Service, together with the restrictions imposed in all directions by labour ceilings, have left the Admiralty no alternative but to prune and limit their works and building projects without any proper regard to the efficiency and well-being of the Navy. Deployment of the limited resources available over other fields, e.g., construction of Research Establishments and the rehabilitation of the Dockyards at Portsmouth and Devonport, is an inescapable need.

10. I consider that the Cabinet should be aware of these facts for they show the inability of my Department under existing conditions to provide any substantial number of married quarters, to bring conditions in the barracks into line with even reasonable welfare standards or, consequently, to fulfil the undertakings given to Parliament referred to in paragraph 1 of this memorandum.

H.
II

THE ACCOMMODATION OF THE ARMY IN THE UNITED KINGDOM

MEMORANDUM BY THE SECRETARY OF STATE FOR WAR

1. The bulk of the accommodation which is available to the Regular Army in the United Kingdom is so much below modern standards, and accommodation suitably located for the new Territorial Army is so inadequate, that I must place the facts before the Cabinet. It is clear that a heavy programme of modernization and construction will be necessary; the difficulty under present conditions is to plan how and when it should start. I will, therefore, confine myself in this memorandum to a bare statement of the facts.

2. For convenience the memorandum is divided into three parts:

(a) The accommodation of the unmarried soldier (see Appendix A for details);
(b) The provision of married quarters;
(c) Accommodation for the Territorial Army.

The Accommodation of the Unmarried Soldier

3. The long history of the Army has inevitably had the result that this accommodation is very uneven in quality and our barracks now range from the comparatively modern Sandhurst block of 1938 with its central heating and up-to-date sanitary and cooking appliances to those built 200 years ago. Some of the latter, though still in use, have long been condemned and are so damp, dingy and disreputable that there will be no alternative in due course but to demolish them and erect new buildings. Meanwhile, the unfortunate soldiers compelled to live in them continue to suffer from the unsuitable and uneconomical conditions of heating and cooking, lack of proper bath and washing facilities and poor lighting designed for times when the Army was recruited largely from the criminal classes, and barracks, surrounded by high walls, were more akin to prisons than to houses. All barracks except the most recently constructed require extensive modernization to bring them up to present-day standards. Some, such as those at Tidworth, were virtually wrecked by the American Forces and will remain uninhabitable until a major work of reconstruction has been carried out.

4. For the last eighteen months, a committee which collaborated at all stages with the other two Services has been examining in detail every form of Army accommodation and its findings have shown that even the standards of 1938 are inadequate by comparison with present civil specifications. The recommendations include a considerable revision of our previous conceptions of privacy, heating, cooking, lighting and sanitation. Such a modernization programme will cost a lot of money and will have to be spread over a number of years but it is absolutely necessary if the Army is to be an attractive career. For the present, however, we have put work on married quarters first in priority.

5. During the half century before the last war, the tendency was to concentrate the four or five divisions which would form the first contingent of the Expeditionary Force at military centres such as Aldershot, Salisbury Plain, Catterick and Colchester. The training of recruits of infantry of the line was carried out locally in each county at the county barracks. Until just before the war, there was no organised anti-aircraft defence of the United Kingdom.

For the future, the Army at home, because of the introduction of National Service, will be larger than before the last war and will include as a new feature an anti-aircraft element which must of necessity be dispersed in centres where permanent barracks do not exist. Further, the preliminary training of Regular recruits and the National Servicemen will be concentrated in a few centres. To accommodate the Army at home, extensive use will have to be made of hotted camps. As a legacy of the war, the Army possesses many hotted camps but they range in quality from the excellent militia type to the low grade Nissen variety. Maintenance was perforce largely neglected during the war to the detriment of both permanent barracks and the hotted camps. The latter deteriorate more rapidly than the former and a heavy annual outlay is now necessary to maintain minimum standards of comfort. This is a most important consideration when it is remembered that many of our training establishments are located in these camps and that the success of the National Service scheme depends very largely on
providing the yearly intake of young men with a reasonable standard of living. Until the forces withdrawn from Palestine have been accommodated and the Army at home has settled down on a proper peacetime footing, we shall require to hold all hutted accommodation which we now possess.

Married Quarters

6. Before the war we possessed some 16,000 married quarters. This number was insufficient but married officers and other ranks who were unable to get quarters were placed on the "lodging list" and given instead of a quarter a suitable allowance, and were able, with comparative ease, to rent civilian houses. This is rarely possible to-day as a soldier is not long enough in one station to have any chance of renting civilian accommodation. In addition, the age at which marriage is officially recognized in the Army has been reduced, in the case of officers from 30 to 25 and in the case of other ranks from 26 to 21. As a result, there is a shortage of at least another 16,000 quarters and this shortage is particularly severe in the case of officers quarters. It will obviously take many years before such a need can be fully met. Meanwhile, every possible step is being taken to make the fullest use of existing quarters, to build as fast as the National housing policy permits, and to add to their number by the conversion of suitable huts.

Accommodation for the Territorial Army

7. The peak numbers of the Territorial Army which we shall reach in 1954 are likely to be not less than three times those of 1938. Although many existing Territorial Army buildings may be too large for modern needs and some doubling up and sharing with the Regular Army may well be possible, it is evident that the present buildings fall far short of the minimum required for the peak numbers. Some units are to be raised where there are no headquarters at all, and apart from the requirements of Territorial Army headquarters, new accommodation will be needed at week-end training centres. All this will require a five-year plan which must be begun in 1949 if we are to be ready for the full numbers in 1954. On present estimates, this plan will cost not less than £13 million per annum for permanent building and this expenditure must be accepted or the future of the Territorial Army will be endangered.

Conclusion

8. I do not ask that the Army should have a higher standard of living than the rest of the community but I wish the Cabinet to take note of the facts I have given above, which can be summed up as follows:

(a) As regards the bulk of the Army's barracks, the standard of living has lagged behind that of the civil community (see Appendix A).
(b) As regards married quarters, the Army has proportionately a greater deficiency than the civil community.
(c) As regards the Territorial Army, there is a great danger that the success of the whole scheme will be endangered through National Servicemen joining Territorial Army units which lack the minimum accommodation that will be necessary.

E. S.

APPENDIX A

ARMY ACCOMMODATION STANDARDS

1. Army accommodation may be divided generally into three main types:

(a) Adapted castles, forts, &c.;
(b) barracks in permanent construction;
(c) hutting.

2. Adapted Castles, Forts, &c.

This category includes mediaeval castles such as Dover Castle, The Tower of London, the Citadel, Plymouth, and Sterling Castle. It also includes forts, &c.,
of more recent date which were adapted to some extent before use. Examples are:

- Fort Picklecombe, Winchester ... 1848
- Fort George, Scotland ... 1757
- Leith Fort ... 18th Century
- Sheerness ... circa. 1750

Most of these buildings have received a series of attempts at improvement or modernization, but constructions of this age and type are not suitable for modernization to standards in any way acceptable to present requirements. Walls are often many feet thick, windows are adapted arrowslits, gunports or loopholes; sanitary and washing arrangements are either primitive or distant from living quarters; while the living quarters are adaptations of casemates, stores, &c.

The above accommodation houses approximately 6,500 men in the United Kingdom and should be condemned as unfit for modern living conditions.


The barracks now used by the Army vary enormously in age and condition. They were built during the following building periods:

(a) 1770–1800. There are some fifteen barracks now housing 12,500 still in use of this era including much of such large garrison areas as Woolwich and Shorncliffe. Modernisation has been attempted periodically but the results are not good enough to house men to the standards now considered essential.

(b) Napoleonic wars and post-war period 1800–1850. There are about twenty major barracks dating from this era, as well as a number of minor ones. Again some modernisation has been carried out, but the result never can be satisfactory. This accommodation includes nearly all the barracks in London and is of extremely low standard. 25,000 men are housed in this type of accommodation.

(c) 1860–1910. A very large proportion of the Army’s permanent buildings date from period 1890–1900. Much of Aldershot was built about this time. The buildings are in good solid construction with walls which are strong enough to give a great many years of useful life, but most of the interiors require gutting and rebuilding on modern lines. At present the accommodation provided is large, bare, comfortless barrack rooms, outdoor sanitation and washing arrangements and little else. This accommodation holds some 60,000 men.

(d) 1910–1939. This period shows a marked improvement and, though minor alterations are needed to bring the buildings to proper standards, these alterations could be deferred owing to the economic position. Catterick is a good example. The accommodation figure for this type is 76,000.

4. Hutting.

Even before 1939, a few hutted camps were used as permanent barracks and one or two hutted camps actually date from the South African war period. An appreciable number, particularly in the Salisbury Plain area, date from the First World War. All these huts are long over due for replacement and their maintenance is a heavy drain on resources.

The majority of the hutting now in use was built during, or just before, the Second World War. That built in 1938–40 and known as “militia hutting” is, generally speaking, good, and should last for many years until it can be replaced by proper permanent construction. The hutting built later in the war, chiefly of the Nissen type, is quite unsuitable for use except in war-time emergency conditions. In spite of constant and ever-increasing maintenance, it is difficult to keep it even weather-proof. In addition, the sanitary and washing arrangements are primitive and amenities are sadly lacking. The good militia type hutting accommodates about 107,000 men and the low grade hutting about 234,000.

5. Summary of Single Soldiers Accommodation.

(a) Permanent Accommodation.

<table>
<thead>
<tr>
<th>Accommodation Type</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>In adapted castles and forts</td>
<td>6,500</td>
</tr>
<tr>
<td>In barracks built 1770–1800</td>
<td>12,500</td>
</tr>
<tr>
<td>In barracks built 1800–1860</td>
<td>25,000</td>
</tr>
<tr>
<td>In barracks built 1890–1910</td>
<td>60,000</td>
</tr>
<tr>
<td>In barracks built 1910–1939</td>
<td>76,000</td>
</tr>
</tbody>
</table>

180,000
Temporary Accommodation

In hutting built up to 1938

In hutting built from 1938 (militia types)

In hutting built from 1938 (war types)

<table>
<thead>
<tr>
<th>Type</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>107,000</td>
<td></td>
</tr>
<tr>
<td>234,000</td>
<td></td>
</tr>
<tr>
<td>356,000</td>
<td></td>
</tr>
</tbody>
</table>

Of the above accommodation, only the following can be classified as reasonable:

- Barracks built 1910–1939
- Hutting built 1938 (militia type)

<table>
<thead>
<tr>
<th>Type</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>76,000</td>
<td></td>
</tr>
<tr>
<td>107,000</td>
<td></td>
</tr>
<tr>
<td>183,000</td>
<td></td>
</tr>
</tbody>
</table>

6. Size of Post-War Army

Though not yet finally decided, it may be assumed for planning accommodation that the post-war army will be about 200,000 in the United Kingdom. To this must be added 20 per cent. to cater for barracks not exactly fitting post-war units, accommodation for men temporarily attached to training establishments, &c. The total bed requirement for the Army in the United Kingdom will, therefore, approximate to 240,000. Meanwhile, however, the numbers in the United Kingdom are greatly in excess of this figure and will rise further when the troops are withdrawn from Palestine. All existing accommodation will, therefore, be required until the Army at home runs down to nearer its proper peace-time size. Even then some of the otherwise surplus temporary accommodation will probably be required for the Territorial Army.

7. Conclusions

It would appear from the above figures that there is a deficiency of suitable accommodation of about 57,000. The actual deficiency is, however, higher than this. A proportion of the really bad accommodation is situated where troops must be located by reason of their duties or because training areas are available, and some of the good huttered accommodation is in places where there is no reason for locating troops in peace-time and where, in fact, there are cogent national interests for not doing so, i.e., in national parks, on good agricultural land, or where their presence would interfere with local amenities.

III

R.A.F. ACCOMMODATION IN THE UNITED KINGDOM

MEMORANDUM BY THE SECRETARY OF STATE FOR AIR

ALTHOUGH the Royal Air Force are in many cases housed in permanent accommodation of good quality built in the years immediately preceding the war, it must not be assumed that the R.A.F. of to-day, as a whole, is suitably housed. The strength of the R.A.F. in the United Kingdom at 1st April, 1949, will be approximately 185,000 men and women, as compared with 103,700 men in September 1939. A number of pre-war permanent stations such as Cranfield, Harwell, Bramcote, Northolt and Farnborough have been handed over to other Government departments, since the war, and as a result permanent accommodation, including married quarters, exists only for 78,000 personnel. In addition, barracks for some 1,700 men are under construction. It follows that the bulk of the accommodation now in use by the R.A.F. in this country is temporary hutting.

2. This hutting varies considerably in quality. That erected during the pre-war expansion period is of a reasonable standard although it has suffered from very heavy use and lack of maintenance during the war years. That erected during the war was designed to meet as economically as possible a temporary commitment; it is now far below the minimum standard which can be considered acceptable.

3. The following analysis of the problem is based on the probable strength of the R.A.F. in the United Kingdom on 1st April, 1949, viz., 185,000.
Domestic Accommodation other than Married Quarters

Permanent Accommodation

4. The permanent accommodation of the R.A.F. was, in the main, built between the two World Wars. What there is of it is in good condition, although in some respects it is deficient by present-day civil standards and has suffered a certain amount of bomb damage. In aggregate capacity, however, the permanent accommodation available is designed to house only 72,000 officers and men.

5. Not all of this permanent accommodation can, however, be used to the best advantage. The composition and size of units have changed; and strategical and technical considerations have altered the disposition of many units. Thus, stations built before the war to “fit” a given unit may be too large or too small for the units which now have to be accommodated in them. In most instances they are far too small. In isolated cases—and this is usually where the airfield is not suitable for modern aircraft—some categories of personnel are able to enjoy full peace-time standards of accommodation. In the main, however, considerable overcrowding—either overall or in certain categories—has to be accepted.

6. On this latter point, the trend towards larger aircraft has increased the number of men of N.C.O. status. Whereas a pre-war crew numbered three or four (and some of these were aircraftmen) a crew may now number seven or eight, all of whom are officers or the equivalent of N.C.Os. The number of technical N.C.Os. has also increased. Thus, the existing permanent accommodation does not conform at all closely to the categories to be accommodated. Although it is no longer necessary to accommodate junior officers in airmen’s barrack rooms, except at a few stations, it is still necessary to accommodate a proportion of the sergeants and aircrew of sergeant status in this way. Apart from the effect on the outlook of the individual, this militates seriously against the prestige of the N.C.O. and is bad from the disciplinary point of view. It is, of course, the policy of the Air Council to provide sergeants, and aircrew of comparable status, with adequate accommodation and messes. It is, however, impracticable to implement this policy to any degree at the present moment. Nevertheless, the balancing of this permanent accommodation is a commitment which cannot be postponed indefinitely and is one which will entail considerable construction.

Temporary Accommodation

7. The temporary accommodation falls into three categories. There are a small number of hutted stations dating from the 1914-18 war; a large number of hutted camps, erected during the expansion period immediately before the last war (mainly for the accommodation of ground training establishments); and, lastly, the war-time Nissen, Laing and similar hutting.

8. Some of the older camps were condemned before the war, but time did not permit of their being rebuilt and they are still occupied.

9. Camps built during the pre-war expansion period are in the main structurally sound and should be capable of use for some years to come, provided labour can be found to make good the arrears of maintenance incurred during the war years. As a result of those arrears they are to-day for the most part unpleasant, dingy and depressing places to live in, and a perpetual source of complaint, both within and outside the Service. In particular, the general reconditioning of kitchens, dining rooms, ablutions and the like is an urgent necessity. The commitment for repairs is increasing out of all proportion as time goes on, and it is clearly essential to catch up on the work of maintenance before further good material goes to waste. The present allocation of labour to the Air Ministry is insufficient to enable this to be done.

10. Conditions are far worse for the 41,000 personnel who are accommodated in poor quality Nissen and similar hutting erected to meet immediate requirements during the war. In the main this is now completely unsuitable for continued occupation. In consequence airmen and airwomen are to-day living in conditions which would not be permitted by the lowest standards of civilian accommodation. It was of this type of accommodation, at Handforth in Lancashire, that the Mayor of Stockport wrote to me recently:—

"I was, frankly, astounded at the conditions in which men and women are compelled to live at this station. I have a long experience, as a Member of a local Housing Authority, and I am not unaware of the deplorable
conditions in which numbers of the civilian population are living to-day; but until to-day I had no idea that members of His Majesty's Forces are compelled, in this country and in peace-time, to live in so much worse conditions than the civilian population. After seeing the leaking roofs, the dilapidated and almost ruinous conditions of some of the huts, the primitive washing facilities and the general unhealthy state of the camp, I feel that I have no alternative ... to record my surprise and distress at the condition which I found ... I have not been asked to write to you in this strain, or to make any sort of protest ... but I cannot conscientiously let it pass without comment."

This is typical of the adverse impressions created at present which do so much to prejudice our recruiting efforts. Rehabilitation is an urgent necessity, and here again the supply of labour is the determining factor. 

11. The war-time camps suffer from other disadvantages besides the standard of the hutting. Because of the system of extreme dispersal of buildings adopted during the war at operational stations, personnel have to walk literally miles a day not only to their work, but to the dining-halls, N.A.A.F.I., baths, &c. This results in considerable loss of time; the alternative is an excessive use of M/T. In addition, the sanitary and ablution facilities at most of the dispersed sites are primitive in the extreme. Quite apart from their effect on the contentment of the Service, these conditions are wholly uneconomical administratively as a peace-time arrangement.

12. Whilst the number accommodated in war-time hutting will fall with the run-down of the Force, a large number of the permanent Force must remain in this class of hutting until it can be replaced.

Married Quarters

13. The R.A.F. is seriously deficient in married quarters for the following reasons:

(i) During the expansion period immediately preceding the war married quarters were not built at a large number of stations and no married quarters were built during the war.

(ii) The age at which marriage is recognised for Service purposes has been reduced.

(iii) The post-war Air Force will be much larger than it was before the war and the bulk of the Force will be stationed at home.

14. Apart from these considerations, personnel are gravely handicapped in that now, unlike the pre-war period, it is rarely possible to rent houses near their stations, the majority of which are situated in remote parts of the country. Moreover, R.A.F. personnel have the additional handicap, in relation to the civil community, that frequent postings preclude them from qualifying for a house under local authority housing schemes.

15. At present there are 6,182 married quarters in the United Kingdom. To these can be added some 410 temporary quarters of primitive type converted from surplus hutting. In addition, we have under construction or contract a further 1,028 permanent quarters and approximately 750 conversions from hutting. On post-war scales an entitlement may exist to some 30,000 quarters. Thus, even when the houses under construction or conversion are completed, we shall be no less than some 21,000 in arrear.

16. Every effort is being made to build as fast as the national housing policy permits and, as a temporary measure, to add to the numbers of available houses by converting suitable hutting. But the depressing fact is that at the present rate of progress it will be at least ten years and probably more before the needs of the Service can be fully met.

Accommodation for the Non-Regular Forces

17. The organisation of the Royal Auxiliary Air Force and the Royal Air Force Volunteer Reserve is based on a net-work of Town Headquarters or Centres distributed throughout the country, and these are the focal points for the instruction, recreation and general administration of the volunteers. If the required numbers of volunteers are to be recruited the Town Headquarters or Centres must be located near to large concentrations of population, and the accommodation provided must be adequate, attractive and, in particular, centrally
situated so as to enable the volunteers to undertake evening and week-end instruction in their spare time. It is not the least of our difficulties that the necessary accommodation is required in large centres of population, where accommodation is expensive.

18. Suitable accommodation has yet to be obtained for a large number of Town Headquarters and Centres; the accommodation provided for a high proportion of the units already functioning is improvised and unsatisfactory and, in due course, alternative accommodation will have to be provided.

Conclusion

19. It will be seen that, as with the other Services, there is an urgent need to bring the living conditions of a large proportion of R.A.F. personnel up to the standard enjoyed by the civil community. There is also an urgent need to increase the quota of married quarters. There are reasons peculiar to the R.A.F. which underline the importance and urgency of remedying the present state of affairs. The R.A.F. must depend for its efficiency on obtaining a high proportion of regular entrants of good quality. A large proportion of the huddled stations are in Technical Training Command where both the national serviceman and the regular entrant get their first introduction to the Service. Under present conditions their reactions cannot fail to be critical. No recruiting propaganda will be effective; nor will the type of recruit required be obtained, whilst airmen and airwomen have to live under conditions so far below those in civil life.

A. H.
Informal talks on Germany among delegations of the United Kingdom, United States and France opened in London on 23rd February. A delegation from the Benelux countries took part in the conversations from 26th February. The conference went into recess on 6th March and will meet again about the middle of April to continue discussions and to make recommendations covering the whole field of the Agenda. The Agenda of the meeting is attached (Annex A). A communique on the purpose and results of the talks was issued on 6th March.

2. The Benelux delegation took part in the talks on equal terms on all items of the agenda except those of exclusive concern to the delegations of the three Occupying Powers, namely, item (B) (Relationship of Western Germany to the European Recovery Programme), Item (E) (Special aspects of the Reparation question raised by the United States Government) and certain aspects of item (F) (Evolution of the political and economic organisation of the three Western Zones) such as Trizonal Fusion.

3. It was agreed from the outset that no attempt should be made to reach final conclusions on the whole agenda. Where a common view was reached the resulting agreement would be reported to the Governments concerned, and final recommendations on the German problem as a whole would be left until the conference resumed after the recess.

4. In the event, the talks proved more successful than had been expected, both the United States and French delegations showing a greater disposition to make concessions than had appeared likely. This was particularly true of item (C) (Control of the Ruhr) and Item (F) (Character of the future German Government).

5. The following is a brief account of the results of the talks under the various items of the Agenda:

6. Association of Benelux countries in policy regarding Germany

It was agreed that the Benelux Governments should be invited in a similar way to similar conversations about Germany in the future and that there should be frequent exchanges of view with them on Germany through the diplomatic channel. It was also agreed that the claim of the Benelux Governments to be associated in the preparation of the German Peace Treaty should be supported as in the past.
A point which caused some difficulty was the claim of the Benelux Governments to be consulted by the Occupying Powers before decisions were taken by the latter on matters affecting the government of Western Germany, which might be of special interest to the Benelux Governments. After a good deal of discussion, it was decided to recommend a form of consultation which might in practice meet the wishes of the Benelux Governments. The Delegations of the Occupying Powers did not feel that they could commit their Governments to consult the Benelux Governments before taking action, irrespective of its nature, which they might regard as necessary for the proper administration of their Zones. It was, however, agreed that the Benelux Governments had an interest in being well-informed on these matters. The three Military Governors would therefore be asked to make arrangements for a close association with the Benelux Representatives in Germany.

7. Association of Commonwealth Countries

The United Kingdom Delegation have throughout borne in mind the position of the Commonwealth countries with regard to policy on Germany. They will be kept informed of developments, and we shall welcome any observations which they may desire to make.

8. Relationship of Western Germany under the Occupying Powers to the European Recovery Programme

The United Kingdom, United States and French Delegations agreed to recommend that the Anglo-American Combined Zone and the French Zone should each be treated as an independent participating area and should be fully associated by adequate representation or inter-governmental bodies set up under the European Recovery Programme. It was also agreed that close co-operation should be established among the Governments of the Western Occupying Powers and among the Occupation Authorities in Western Germany in all matters arising out of the European Recovery Programme in relation to Western Germany. Such co-operation was essential if Western Germany was to make its full and proper contribution to European recovery. The two areas of Germany would be represented by Allied officials representing the Occupying Authorities; the Occupation Authorities might be expected to use German advisers and experts to assist them.

9. Proposals in the above sense will be presented at the forthcoming meeting of the Committee of European Economic Co-operation, and it is hoped that the two areas will be represented for the first time on the working party set up at that meeting.

10. Role of the German Economy in the European Economy, and Control of the Ruhr

The discussions on this item were unexpectedly successful and provisional agreement was reached on the text of a draft agreement for the establishment of an International Control Agency. The text of this draft is annexed (Annex C).

11. Considerable concessions were made by the French who no longer insist upon the separation of the Ruhr from Germany, or on international ownership or on international management.

12. The preamble lays down two principles. The first is that the Ruhr shall not again be used for purposes of aggression, and that access to the coal, coke and steel of the Ruhr shall not be subject to the exclusive control of Germany, but that access to them for the benefit of an extensive area of Europe, including
Germany shall be without discrimination. The second is that there should be close association between the economic life of the countries of Western Europe on the one hand and of a democratic Germany on the other.

13. The International Control Agency, which is to be set up in the Ruhr before the establishment of a Provisional German Government, will be composed of representatives of the United States, United Kingdom, France, The Netherlands, Belgium, Luxembourg and Germany. It will take its decisions by majority vote, the three Occupying Powers in Germany having three votes each and the three Benelux Powers one each. During the period of occupation, the three German votes will be exercised by the Powers responsible for the economic administration of the Ruhr, that is to say by the United States, and United Kingdom jointly, until such time as Trizonal Fusion comes about, when France will share with the other two Powers in the exercise of the German votes. This means that France will not have an equal voice with the United Kingdom and United States until she fuses her Zone with theirs.

14. During the occupation period, the functions of the International Control Agency are limited to the determination of the allocation of coal, coke and steel from the Ruhr as between German consumption and export. So far as coal and coke are concerned, this is already a Trizonal matter. The International Control Agency will also have the right, in the occupation period, to require regular reports on the production, distribution and consumption of Ruhr coal, coke and steel. In effect, during this period, the powers of the Commanders in Chief are very little affected.

15. After the occupation period, the International Control Agency will assume certain further duties at present reserved to the Occupying Powers. They will, for example, exercise control of the allocation of coal, coke and steel for internal German consumption so far as this is necessary to ensure that the allocations for exports are carried out and that the Germans do not use artificial measures or practices which would distort the movement in international trade of coal coke and steel from the Ruhr. The enforcement of disarmament provisions would also be transferred to the International Control Agency, if they had not already been allotted to any other authority; in that event the Germans would have no vote.

16. In agreeing to this text, all delegations made it clear that they did so in a provisional way and would only be able to give their definite assent to it when they had been able to consider the final results achieved on other aspects of the German problem which were before the conference.

17. Security against Germany

This subject was somewhat summarily touched upon in the discussions. The French requirements were:

(i) Permanent occupation of the Ruhr and Rhineland;

(ii) International control of the Ruhr;

(iii) A disarmament treaty on the lines of the so called Byrnes Treaty, adapted for three-Power purposes;

(iv) A security arrangement on the lines now being discussed among the Western Powers;

(v) Agreement on the establishment of a future German Government of a loose federal character.
18. The United States representative was not in a position to make any statement of a positive character in plenary session on Items (i), (iii) and (iv). It was decided to revert to this question when the Delegations reassembled after the recess.

19. Reparations

I have already reported to my colleagues on the American proposals on this subject in a separate paper.

20. Evolution of the Political and Economic Organisation of Germany

The discussion on this topic fell into two parts. The first related to the character and method of establishment of a future German Government; the second to measures to be taken to harmonise immediate policies in the Anglo-American combined area and the French Zone, as a step towards Trizonal Fusion.

21. The conversations on the first aspect of this question were unexpectedly successful and a most useful report was produced (Annex D) showing clearly the points on which agreement was reached (these were both wider and more numerous than had been thought likely) and the questions which still remain to be resolved. A working party will be set up in Berlin to study the outstanding questions, and it is hoped that a report will be available after the recess.

22. As regards the more immediate measures in the Zones, while the French showed no enthusiasm for Trizonal Fusion, and indeed declared that they must make this dependent upon their receiving satisfaction on other questions, it was readily agreed that the present practices in the Combined Area should be studied in Berlin and the comments of the French given due consideration, and more important, that steps should be taken immediately to harmonise administration and other policies in the Combined Area and the French Zone, in order to pave the way for Trizonal Fusion in due course.

23. Provisional Territorial Arrangements

As time was short and as the Benelux Delegation did not seem to be anxious to have their territorial claims discussed, it was decided to defer consideration of this item until after the recess.

E.B.

Foreign Office, S.W.1.

7th March, 1948.
ANNEX A

TALKS ON GERMANY

AGENDA AS ADOPTED AT 1ST MEETING

23rd February, 1948

(A) Association of Benelux countries in policy regarding Germany.

(B) Relationship of Western Germany under the Occupying Powers to the European Recovery Programme.

(C) Role of the German Economy in the European Economy and Control of the Ruhr.

(D) Security against Germany.

(E) Reparations

(F) Evolution of the Political and economic organisation of Germany.

(G) Provisional territorial arrangements.

ANNEX B

TALKS ON GERMANY

RELATIONSHIP OF WESTERN GERMANY UNDER THE OCCUPIING POWERS TO THE EUROPEAN RECOVERY PROGRAMME

Report of the Committee set up to consider the above question

The Committee had before them a summary of the statement made by the United States Delegate at the Plenary Session on 24th February, and took note of the statement therein that the United States Government was not in a position to make definitive commitments on the subject of the European Recovery Programme at the present stage. Subject to this, and subject to any decisions which may be taken under Item (F) of the agenda affecting the present zonal organisation of Western Germany, the members of the Committee agree to recommend to their respective delegations that the following guiding principles should be agreed.

1. The Combined Zone (United States/United Kingdom) and the French Zone should each be treated as an independent participating area.

2. Each of them should be signatories of the Multilateral Agreement and each of them should sign a Bilateral Agreement with the United States Government.

3. The two areas should each participate fully in the activities of any Continuing Organisation set up by the participants in the European Recovery Programme, including where appropriate the work of any committees, study groups, or other bodies which may be set up to implement the objects of the European Recovery Programme.
(4) Inter-governmental agreements relating to the European Recovery Programme should be signed in respect of each area by or on behalf of the occupation authorities in that area.

(5) Each of the two areas should be represented on inter-governmental bodies established for E.R.P. purposes by appropriate allied officials representing the occupation authorities in such areas. The occupation authorities may be expected to use German advisors and experts in the various continuing joint activities of the participants in the European Recovery Programme.

(6) Close co-operation should be established among the governments of the occupying powers and among the occupation authorities in Western Germany in all matters arising out of the European Recovery Programme in relation to Western Germany. Such co-operation is essential if Western Germany is to make its full and proper contribution to European recovery.

LONDON,
2nd March, 1948.

ANNEX C

TALKS ON GERMANY

INTERNATIONAL CONTROL OF THE RUHR

(Draft submitted for consideration of Governments)

Whereas international security and general economic recovery require:

that the economic resources of the Ruhr shall not again be used for the purposes of aggression;

that access to the coal coke and steel of the Ruhr should not in the future as it was in the past be subject to the exclusive control of Germany;

that access to them for the benefit of the economic life of an extensive area including Germany shall be without discrimination, and

Whereas it is essential for the political and economic well being of the countries of Western Europe and a democratic Germany that there be close association of their economic life, and,

Whereas it is important that trade between the European countries mentioned in the preceding paragraph should be facilitated by lowering trade barriers and by any other means.

Therefore it is agreed that:

1. An international control shall be set up in the Ruhr as soon as possible and at least prior to the establishment of a provisional German Government.
2. The International Control Agency shall be composed of representatives of United States, United Kingdom, France, Netherlands, Belgium, Luxembourg and Germany.

3. The International Control Agency shall take its decisions by majority vote. The United States, United Kingdom, France and Germany shall have three votes each and the Netherlands, Belgium and Luxembourg one vote each.

4. Until the occupying powers party to this Agreement decide otherwise the representative of Germany shall be designated and the vote for Germany exercised by those powers which share the responsibility for the economic administration of that part of Germany which includes the Ruhr, and in such a way as may be decided by those powers.

5. The functions of the International Control Agency shall, in the light of existing or future international agreements, be as follows:

(a) to determine the allocation of coal, coke and steel from the Ruhr as between German consumption and export, in order to ensure adequate access to supplies of these products taking into account the needs of Germany; and, subject to the provisions of paragraph 3 below, to ensure the fulfilment of the terms of such allocations.

(b) Subject to the provisions of paragraph 3 below, to prevent the German Government or German management from instituting or carrying out artificial measures or practices which would distort the movement of these products in international trade.

(c) To exercise controls in accordance with the provisions of paragraph 3 below.

6. The International Control Agency shall have the right:

(a) to receive regular reports on production, distribution and consumption of Ruhr coal, coke and steel;

(b) to demand relevant interim reports whenever necessary;

(c) To verify the information at its disposal by visits on the spot or by the subpoena of witnesses.

7. During the period of exercise of supreme authority by the Allied Powers the occupying authorities concerned will maintain the extent of control over management of the Ruhr coal and coke industry at present exercised by the United States/United Kingdom Control Group.

8. During the same period the occupying authorities concerned will maintain such control over the Ruhr coal, coke and steel industries including the control of the allocation of these products for internal consumption and the implementation thereof as may be necessary to ensure:

(a) that the decisions of the International Control Agency with respect to the export of these products from Germany are carried out,

(b) that the mandatory requirements of the occupying powers are met,

(c) that the disarmament provisions of any present or future agreements or treaties are not infringed thereby.
that the German Government or German management do not institute or carry out artificial measures or practices which would distort the movement in international trade of coal, coke and steel from the Ruhr.

The powers as under (a) and (d) shall, at the end of the period in which the Allied Powers exercise supreme authority in Germany, be transferred to the International Control Agency. The powers exercised by the occupying authorities under (c) shall be transferred to such authority as may by the terms of any international agreement or peace settlement be designated for that purpose, provided that if no such authority is established the powers herein mentioned shall be transferred to the International Control Agency.

In this latter event the powers under (c) shall be exercised by the Allied representatives.

9. Should the German Government not carry out the decisions of the International Control Agency, the International Control Agency may, by a majority vote of the allied representatives find that the German Government is in default on its obligations, and recommend the application of such enforcement measures as are necessary to ensure the attainment of the objectives set out in this agreement. During the period of the exercise of supreme authority by the Allied Powers the responsibility for the execution of such measures will lie with the occupation authorities concerned. In the subsequent period enforcement of such measures shall be in accordance with the terms of any German settlement.

10. This agreement shall not prejudice the conclusion of subsequent arrangements for the better co-ordination of the Ruhr coal, coke and steel resources with those of other areas. Any such subsequent agreement would not invalidate so far as the Ruhr is concerned the provisions agreed to herein.

11. This agreement constitutes a statement of principles which if accepted by the participating Governments shall form the basis for a more detailed agreement setting up the International Control Agency.

LONDON,
5th March, 1948.

ANNEX D
TALKS ON GERMANY
EVOLUTION OF THE POLITICAL AND ECONOMIC ORGANISATION OF GERMANY
Report of Working Party

TERMS OF REFERENCE

1. The Working Party was set up by the Main Committee at its 7th Meeting on Tuesday, 2nd March "to consider and report to the Main Committee on the various problems in regard to the future German Government, having regard to political and economic conditions".
PROCEDURE

2. IT WAS AGREED:­

(a) To present the report in the form of a statement of agreed points, and of the positions of the various Delegations on disagreed points.

(b) To recommend that a working party be convened by the three Military Governors in Berlin to consider those points in the record below which require further study, and that the proceedings of the working party should be kept secret.

It was understood that the Military Governors would call in those other representatives in Berlin who have the best right to express their views.

A. FORM AND SCOPE OF FUTURE GERMAN GOVERNMENT

FEDERAL LEGISLATIVE BODIES

3. IT WAS AGREED:­

(a) That the German Legislative system should be bicameral.

(b) That the Upper House should be composed of an equal number of representatives from each Land, who might be nominated by Land Governments.

(c) Representation in the Lower House should be proportional to the populations of the Laender.

4. In the course of discussion, the following statements of opinion were put forward:­

The French and Benelux Delegations consider that members should be elected to the Lower House by the individual Landtage in proportion to the strengths of the Political Parties in each Landtag.

The United States and United Kingdom Delegations consider that election should be carried out directly by the populations of the Laender under arrangements to be made by individual Laender, the latter being allowed to choose their own electoral systems.

The United States Delegation favours direct election, because of its fundamental concept of the dual Sovereignty of the people in each Land, on the one hand as members of the Land, and on the other hand as members of the German population as a whole. From this concept flows the United States Delegation's attitude as to the division of Powers between Federal and Land Governments, as contained in Federal and Land Constitutions, the importance of Federal Judiciary, the power of the Federal Government to levy its own taxes, and the necessity of the maintenance of Federal Administrative Agencies to execute Federal Legislation.

The United States and United Kingdom Delegations consider that no individual should be a member of the Federal Lower House and a Landtag at the same time.

The French and Benelux Delegations consider that simultaneous membership of both bodies should be permissible.
5. IT WAS AGREED that the Federal Minister President should be chosen by the two Federal Legislative Houses in a manner to be agreed by them.

6. The French Delegation suggested two methods of selecting Federal Ministers: they are not prepared to express a preference between the two at this stage:

(a) That they should be individually elected by both Houses.

(b) That they should be chosen by the Minister President.

The United States Delegation prefer selection by the Minister President, but would agree to either alternative, in accordance with German views.

The Benelux Delegation strongly prefer (a), but would be prepared to accept either alternative.

The United Kingdom Delegation would be prepared to accept either alternative except that election should be by the Lower House.

7. The following positions were adopted in respect of the collective responsibility of Ministers as opposed to their individual responsibility to Parliament:

The United Kingdom Delegation is in favour.

The French and Benelux Delegations are not in favour.

The United States Delegation is in favour, but is prepared to accept individual responsibility, in accordance with German views, if Parliamentary responsibility of the Executive has been accepted as a principle.

The United States Delegation suggests that further consideration should be given to the possibility of:

(a) an independent Executive;

(b) a fixed term, either for an independent or a parliamentarily responsible Executive.

CHIEF OF STATE

8. After some discussion on the advisability of the creation, and on the different methods of election and different powers of a Chief of State, opinion remained divided; this matter should be clarified by further discussion in Berlin.

DIVISION OF POWERS BETWEEN FEDERAL HOUSES

9. The United States, French and Benelux Delegations consider that the two houses should enjoy approximately equal powers of legislation, subject to certain reservations mentioned below (paragraph 11).

The United Kingdom Delegation considers that the Upper House should have the power of suspensory veto only.
11. IT WAS AGREED that the two Houses should enjoy equal powers of initiating legislation, except that the initiation of money bills might be reserved to the Lower House, and that there might be certain powers reserved to the Upper House, e.g. in connection with Foreign Affairs and the confirmation of certain appointments.

DIVISION OF POWERS BETWEEN FEDERAL AND LAND GOVERNMENTS

12. IT WAS AGREED:

(a) That the Federal Government should enjoy only those powers expressly delegated to it under the Constitution;

(b) That the study of the detailed division of powers should be remitted to Berlin on the understanding that in no case should the following powers be delegated to the Federal Government:

- Education,
- Public Health,
- Public Welfare,
- Police,
- Cultural and Religious affairs,
- Local Government.

TAXATION

13. IT WAS AGREED:

(a) That the question of the specific allocation and the methods of collection of taxes as between the Federal and Land Governments should be further considered in Berlin;

(b) That the Federal Government should have the power to dispose of moneys only for the purposes for which it is set up;

(c) That the Federal Government should be empowered to set the rates for certain specified taxes.

14. The French Delegation considers that the power to collect taxes should invariably rest with the Land Government, except in the case of customs duties.

The Benelux Delegation inclines towards the view of the French Delegation.

The United States and United Kingdom Delegations consider that it would be necessary for the Federal Government to enjoy the power of collection in certain specified cases.

FEDERAL JUDICIARY

15. IT WAS AGREED:

(a) That there should be a Federal Supreme Court with the power to settle conflicts between Federal and Land Authorities, and with appellate jurisdiction to protect the civil rights of individuals against acts by the Federal Government, and to ensure the application, with due regard for uniformity, of Federal Law;

(b) That the Germans should be instructed to establish a system ensuring the complete independence of the Judiciary from the Legislative and Executive branches of the Government.
16. The United States Delegation is prepared to accept, and would like to see the Germans encouraged to debate the establishment of a system of Federal Courts.

The United Kingdom Delegation is prepared to see this question debated by the Germans.

The French and Benelux Delegations do not favour this proposal.

**CIVIL RIGHTS**

17. **IT WAS AGREED:** That the Federal Constitution should contain provision for the adequate guarantee of the Civil Rights of the individual; the degree to which guidance in this field would be required should be worked out in Berlin.

**EXECUTION OF FEDERAL LAW**

18. The United Kingdom and United States Delegations consider that certain Federal Administrative Agencies will be required for the execution of Federal Law at Land and Local level, and that these agencies should be staffed by Federal personnel.

The French and Benelux Delegations consider that although certain Federal Administrative Agencies may be unavoidable, they should be exceptional and should, to the maximum possible extent, be staffed under arrangements made by the Land Authorities.

**CITIZENSHIP**

19. The United States, French and Benelux Delegations are in favour of some form of dual citizenship.

The United Kingdom Delegation does not consider that dual citizenship would be essential.

**GENERAL RECOMMENDATION**

20. The Working Party recommends that the final statement of Allied requirements in connection with the German Constitution should be in terms of minimum requirements, and should leave to the Germans the maximum scope for the use of their own initiative.

**INTER-LAND BOUNDARIES AND A GERMAN CONSTITUENT ASSEMBLY**

**LAND BOUNDARIES**

21. **IT WAS AGREED:** - that the existing Laender boundaries were in some cases inconsistent with tradition and otherwise anomalous. In order, therefore, to provide suitable and effective member states in a federal Germany and in order that the Laender at the time of ratification of the Constitution shall be the same as at the time of its drafting, **IT WAS AGREED** that before a Constituent Assembly was set up in a given area it was essential to fix the Land boundaries within that area in their final form. Consideration should be given in Berlin to the revision of the boundaries and to the best method of associating the Germans therewith.

It was understood that for the purpose of this study no consideration would be given to the convenience of the present occupation troops.
COMPOSITION OF THE CONSTITUENT ASSEMBLY

22. IT WAS AGREED
(a) that the Constituent Assembly should be formed on a basis which would achieve a compromise between the principle of equal Land representation and the principle of representation in proportion to Land populations. This basis should be worked out in Berlin.
(b) that it is not essential to have Trizonal fusion before the Constitution comes into force.

23. There was no agreement on the question of whether the Constituent Assembly should be composed of representatives "of the Laender", "from the Laender", or "of the people of the Laender".

TIME ALLOCATED FOR THE WORK OF THE CONSTITUENT ASSEMBLY

24. IT WAS AGREED that this should be considered in Berlin.

RATIFICATION OF THE CONSTITUTION

25. IT WAS AGREED that the Constitution should be ratified at least by a majority of votes in the majority of Laender and also by a majority of total votes cast, the detailed formula to be worked out in Berlin.

TIMING OF THE ESTABLISHMENT OF THE CONSTITUENT ASSEMBLY

26. The United Kingdom and United States Delegations consider that the summoning of a Constituent Assembly before the end of 1948 is essential.

The French and Benelux Delegations are prepared to give this matter serious consideration during the recess of the main committee.

LONDON,
5th March, 1948.
The discussions between Party Leaders have indicated that there is a fair prospect of finding a basis for agreement between the political Parties on the future composition of the House of Lords. Less progress has been made, however, towards agreement on the amendment of the Parliament Bill. The Conservative Leaders are demanding that the "period of delay" which must elapse under the Parliament Act procedure before a Bill leaves the Commons for the last time should be not less than twelve months from the first occasion on which it received its Third Reading in the Commons. That demand must clearly be resisted. The Government representatives in the Conference are, however, disposed to put forward, as a compromise, the proposal that the period of delay should be expressed as "either twelve months from Second Reading or nine months from Third Reading, whichever is the longer". They invite the views of the Cabinet on this proposal.

2. This formula would not enlarge the period of delay for any Bill which passed quickly through the Commons. Its object is to satisfy the Lords that they would have reasonable time to consider a Bill on which the proceedings in the Commons had been unusually protracted. Broadly speaking, the second test of nine months from Third Reading would not come into operation unless a Bill had taken more than three months in the Commons.

In the following table, the effect of the formula is tested by reference to some of the major measures introduced in the present Parliament, the Government of India Bill, 1935 and the two Bills enacted in 1913 under the Parliament Act procedure. For the purposes of this table it is assumed that all these Bills were rejected by the Lords and had to be enacted under the Parliament Act procedure. Column II gives the date on which each would have become law (one month after leaving the Commons for the last time) under the provisions of the Parliament Bill as it now stands, with the period of delay expressed as "twelve months from Second Reading". Column III gives the date on which each would have become law under the alternative formula now proposed, with the period of delay expressed as "twelve months from Second Reading or nine months from Third Reading". Column IV gives the total period which would have elapsed, under the alternative formula now proposed, between the first occasion on which the Bill received its Second Reading in the Commons and the date of presentation for Royal Assent.
For the three Bills which occupied less than three months in the Commons (Civil Aviation, Trade Disputes and Bank of England), the alternative formula does not lengthen the total period of delay proposed in the Parliament Bill as introduced. For major Bills which occupy more than three months in the Commons, the period of delay would be extended by such time beyond three months as is taken in the Commons. The long period of delay shown above in respect of the two Acts of 1913 is explained by the fact that these took, respectively, eight and nine months to pass through the Commons. Under modern conditions it seems unlikely that future Bills would be delayed in the Commons for such long periods as these.

3. The formula has also been tested by reference to the probable course of the proceedings on the Iron and Steel Bill in the 1948/49 Session.

It has been assumed for this purpose that the Bill will receive its Second Reading in the Commons on 27th October, 1948, that thirty days will be required in Standing Committee (as compared with thirty-one days on the much longer Transport Bill), and that the Bill will be sent to the Lords on 12th April, 1949. If the Parliament Bill had been rejected by the Lords and had to be enacted under the Parliament Act, 1911, that Bill could not be presented for Royal Assent before December, 1949. The Iron and Steel Bill could not be presented for Royal Assent under the amended Parliament Act procedure until March, 1950.

If, on the other hand, the Parliament Bill were passed this Session with the period of delay expressed as "twelve months from Second Reading or nine months from Third Reading", the Iron and Steel Bill could be presented for Royal Assent on 12th February, 1950.
These details suggest that, from the practical point of view of handling the Government's legislative programme during the remainder of the present Parliament, there would be no serious disadvantage in the alternative formula of "twelve months from Second Reading or nine months from Third Reading". Indeed, if the Opposition accepted that formula and passed the Parliament Bill in that form before the end of the present Session, the practical task of managing Government business during the remainder of the present Parliament would be easier than it would be if the Parliament Bill remained in its present form and was rejected by the Lords and had to be enacted under the provisions of the Parliament Act, 1911. Thus, from the point of view of our immediate practical needs, we should gain by reaching an agreement with the Opposition on the basis of this alternative formula.

In the longer run we should secure two advantages. First, if agreement were reached between the Parties on the basis of this alternative formula, the Parliament Bill would be passed this Session as an agreed measure. There would then be less likelihood of its being upset at a later date, if a Conservative Government should be returned to power with a large majority. Secondly, if agreement can be reached on the amendment of the Parliament Bill, there is a fair prospect of finding a basis for a lasting agreement between the political Parties on the future constitution of the House of Lords. If, on the other hand, the Party Leaders fail to come to terms on the Bill, their discussions on the other subject will be broken off and the prospect of an agreed reform of the House of Lords will be cast away.

Against these considerations we must set the difficulty of satisfying Government supporters that it is expedient to offer a concession involving some extension of the period of delay originally proposed when the Parliament Bill was introduced. It is on this point that I particularly invite the views of my colleagues.

In conclusion, however, I should emphasise that the Government would not be finally committed to acceptance of the alternative formula of "twelve months from Second Reading or nine months from Third Reading" if it were put forward at this stage by their representatives in the Party Leaders' Conference. The purpose of the present discussions is to find, without final commitment, a provisional basis of agreement on which each side could consult its supporters. All that the Government would be committed to do would be to ascertain whether such a formula would be acceptable to their supporters. And it would be open to them, as it would to the Opposition Leaders, to report back to their colleagues in the Conference, if this proved to be the case, that after consultations they saw no prospect of being able to carry their Party with them in support of the proposed formula. The Government representatives in the Conference feel, however, that, before they put this proposal forward, they should know that they would have the united support of their Cabinet colleagues in commending it subsequently to the Parliamentary Labour Party and to the Labour Party Executive.

C.R.A.

10, Downing Street, S.W.1.
9th March, 1948.
CABINET

MONOPOLISTIC PRACTICES BILL

Memorandum by the President of the Board of Trade

I undertook yesterday to circulate a further paper in order to set out certain developments since my earlier memorandum (C.P. (L8) 73) was drafted and to deal with a number of points which have been raised by my colleagues and which I have discussed with them.

2. Further developments and points on the matters dealt with in C.P. (L8) 73 are as follows:

(c) Sanctions

It has been suggested to me that the powers in the Bill are not strong enough, particularly as against monopolies and trusts. We have not taken power to break up trusts and monopolies by Order, since the whole approach of this Bill is the control of the abuse of monopoly, rather than its destruction. Personally, I am very doubtful whether, having regard to the risks to our industrial and producing power involved, we should wish in this country to break up a monopoly on the grounds of a particular abuse of its powers, but if we did we should, I am sure, have to proceed by specific legislation and not by Statutory Instrument. The ultimate remedy is, of course, nationalisation. My belief is that in the ordinary case price control (which will be available for use in connection with the objects of the Bill) will be found to be much the most effective weapon when dealing with the abuse of monopoly power, which usually takes the form of the sale of goods at excessive prices. Sub-Clauses 11 (2) (a) and (c) also confer power of control over the abuse of monopoly in such matters as boycotts and loyalty rebates.

(c) Public Interest

On further consideration, I am sure that to give directions to the Commission would be inconsistent with its semi-judicial character and would be extremely difficult to justify in the House - it would look like setting up an impartial quasi-judicial tribunal and then retaining power to influence its judgment. A provision under which the Commission would be obliged to take account of a resolution passed by Parliament would, I fear, be little less open to objection from this point of view. As I have said in C.P. (L8) 73, I believe that in practice our conception of the public interest in these matters will grow up out of the investigations carried
out by the Commission and of the informal interchange of views between the Board of Trade and the Commission, and finally of the debates in Parliament on the Commission's Reports and on any Orders which may be made. In practice, therefore, I do not believe that we should want often, if at all, to use the power of direction on a matter of this kind. I am therefore now inclined to favour the omission of Clause 9.

(d) Position of Other Departments

As I have pointed out in my earlier paper, the Bill provides (i) for all references to the Commission to be made by the Board of Trade; and (ii) for the Board of Trade to be the sole Order-making Department.

(i) It is essential that all references to the Commission, whether for an investigation (Clause 2 (1)), or for advice (Clause 2 (2)), should go through the Board of Trade, but it is clearly understood that the Board would not refer a case to the Commission for investigation, except after consultation and agreement with the responsible production department. Similarly, the Board would not take the initiative in asking the Commission for advice under Clause 2 (2) in connection with industries for which other departments are responsible. I understand that the Minister of Agriculture is anxious that I should make some statement to this effect on Second Reading, so as to make it clear that the Board would not initiate enquiries for advice from the Commission in connection with the activities of Marketing Boards. I am certainly prepared to make such a statement.

I should, perhaps, explain that my expectation is that this particular Clause will be used primarily in connection with requests from private industry for advice on arrangements which they propose to make and are not prepared to sign (once this Bill becomes an Act), without first ascertaining whether they are likely to be the subject of enquiry and objection.

(ii) I am quite prepared to meet the views of my colleagues who wish to have the power to sign Orders under this Bill affecting industries for which they are responsible; I had of course always contemplated that while, in order to secure co-ordination, the President of the Board of Trade would sign, the Production Department would negotiate the Orders and answer for them in the House. There will, on the other hand, undoubtedly be cases (e.g. where more than one Production Department is concerned) in which the Board of Trade should sign for other Departments. Parliamentary draftsmen have accordingly been asked to include a clause under which the various Production Ministers, including, of course, the Agriculture Ministers, would be competent authorities for the purpose of making Orders under the Bill. I am sure that, while this change is desirable, it is essential that the Board of Trade should be recognised as the co-ordination authority in regard to the Orders made under the Bill and that they should also co-ordinate on drafting, because it would be most undesirable to have a number of different interpretations of the same provisions.

(e) Restrictive Practices of Trade Unions

I mentioned in C.P.(48) 73 that we might have to
deal with substantial criticism of the fact that the Bill does not deal with these. My colleagues may have noticed that during the Debate on the Board of Trade Vote last week Mr. Brendan Bracken stated that the opposition attitude, would be to welcome the Bill, and indeed try to strengthen it, but only on the understanding that it extends to the Restrictive Practices of Trade Unions.

3. The following further points have arisen since my paper was drafted, or have been raised by my colleagues.

(i) Definition of Imperfect Competition

In the present draft of the Bill the definition Clauses 3, 4 and 5 are as drawn that conditions of imperfect competition can only be supposed by the Board of Trade or be held by the Commission to prevail, if more than one half of the goods supplied or processed or produced in the United Kingdom are covered by the arrangements. We do not know at present of any cases which are likely to require investigation which would not in fact fall within this definition. Some doubt, however, has been expressed as to whether this definition might not be found in the event to exclude a few cases which ought to be covered, and would in any case lead, through administrative caution, to the reference only of cases where in fact the percentage was materially greater. In these circumstances it is proposed to substitute in the Bill a lower figure - namely one-third - above which cases can be considered.

Personally, I should myself have preferred to use some general words such as "a substantial proportion" but I am advised by the legal pundits that these would be much too wide, since they might be held to cover firms supplying as little as 10 per cent. of the market. I am afraid that any figure we choose will be subject to criticism as being either too high or too low, but if we are to take a figure I am in favour of taking a low one and justify it as a minimum which has been chosen to allow both us and the Commission a reasonable discretion.

(ii) Follow-up Action

It may well be that in place of the sanctions provided in the Bill or of price control, it may be desirable to require the offender or offenders to take some action, such as changing the methods of management or the introduction of improved accounting systems. It is, perhaps, likely that such recommendations would be accepted by those concerned, if they were alternative to an Order under the Act, but unless they were followed up at a later date, little might be done to put matters right. I think, therefore, that we should have power to request the Commission to investigate and report on the extent to which such recommendations have been carried into effect and Parliamentary draftsmen have been asked to draft an additional clause to this general effect.

(iii) The position of Northern Ireland

There has as yet been no definite reply from the Northern Ireland Government as to whether they would wish to be included in the Bill. This from our point of view, is desirable since an investigation of inducstries, part of which are sited in Northern Ireland, to be effective would need to
extend to that part and there might be possibilities of evasion of the Bill if Northern Ireland were excluded. I am hopeful that the Bill will be acceptable to them if some words are included in the Bill which make clear that it does not act in any way as a restriction upon the powers of the Northern Ireland Government.

(iv) **Shipping and inland transport**

All forms of transport have been left out of the Bill at the request of the Ministry of Transport. I do not wish to raise any objection to their being left out, provided that it can be argued that they are sufficiently covered from this point of view by other policies or procedures. In the case of inland transport, it can, I assume, be argued that the nationalised authorities have a sufficient control over the whole field; in the case of shipping, I assume that the Minister of Transport will be able to give me a suitable answer to critics who ask why shipping is excluded, having regard to the undoubted existence in this industry of restrictive practices in the shape of the Shipping Conferences.

(v) **Title**

A number of titles have been discussed. All are subject to some objection. The best seem to be "Monopoly (Enquiry and Public Control) Bill" and either "Monopoly Practices Commission" or the still shorter title "Monopoly Commission".

H.W.

Board of Trade, S.W. 1.,

9th March, 1948.
CABINET

PAY OF SENIOR POLICE OFFICERS

Memorandum by the Secretary of State for Scotland

I have considered the proposals about the pay of senior police officers which are made in the Home Secretary's memorandum of 9th March (C.P. (48) 74). I fully appreciate the arguments which the Home Secretary uses in favour of these proposals as they relate to police forces in England and Wales, but there are certain considerations, including some relating specially to Scotland, which I wish to bring to the notice of my colleagues.

2. The proposals of the English Committee on the pay of Chief Constables and Assistant Chief Constables were submitted to the three Associations of local authorities in Scotland and have been rejected; and as the Home Secretary points out they have not been accepted by the Association of County Councils in England. This means that unless Scottish Chief Constables and Assistant Chief Constables are to be paid less than their opposite numbers in England, which would be a departure from all precedent and would cause the gravest discontent, I should have to force acceptance of the new scales upon Scottish police authorities by means of Police Regulations. The difficulty of doing this in face of the White Paper requires no emphasis.

3. The recommendations of the English Committee on the pay of Superintendents, which were made only on 3rd February, have not yet been submitted to the local authority associations, as would have to be done before they could be given effect in Scotland, even if the Home Secretary does not regard it as necessary to do so in England and Wales. I have little doubt that the authorities would oppose the recommendations by reference to the White Paper, but the Scottish Superintendents could of course insist that they should be treated as well as the English, and I should be in much the same position as in the case of Chief Constables and Assistant Chief Constables.

4. I am much concerned also about the general repercussions of the Home Secretary's proposals. I am already under considerable pressure for increases of pay from the Police Federation, which so far I have resisted on the grounds of the economic position. A further substantial increase of pay to senior officers will make almost irresistible the demands.
of the lower ranks of the police service, which in turn would be taken up by the fire service and possibly by local authority services generally. Any such widespread increases may well have other repercussions outside these services and be gravely detrimental to the Government's policy on personal incomes, costs and prices.

5. Both the Home Secretary and I are being strongly pressed by the Police Federations to proceed now, instead of waiting until 1949, with the appointment, to which the Government are pledged, of an independent and impartial committee on police pay and conditions of service. If this claim is conceded (and I think it should be) I should much prefer that the senior ranks should, on patriotic grounds and in the interests of good feeling in their own forces, be persuaded to allow their claims to stand the same scrutiny by the Independent Committee as the pay claims of constables, sergeants and inspectors. Indeed I feel that, on balance, this course would be more in the long term interests of police efficiency and contentment.

A.W.

Scottish Office, S.W.1.,

11th March, 1948.
EXCHEQUER CONTRIBUTION TOWARDS PROFESSIONAL FEES INCURRED BY CLAIMANTS FOR LOSS OF DEVELOPMENT VALUES

Memorandum by the Secretary of State for Scotland and the Minister of Town and Country Planning

The Town and Country Planning Acts of 1947 in effect remove development value from owners of land as from the appointed day (now fixed as 1st July, 1948) and £300 millions is provided for payments to owners affected, to be distributed in accordance with a Treasury scheme, not later than five years hence. Owners who consider they are entitled to a share must put in a claim. It will be the task of the Central Land Board, with the technical assistance of the Valuation Office, to determine in each case what was the development value at the appointed day and their determination will be subject to arbitration. Only when the bulk of this and other information is available will it be possible for the Treasury to frame the distribution scheme.

2. The time-table is very tight, and it is essential that the determination of development values - a vast task - should proceed as smoothly as possible. The Central Land Board could themselves estimate the development value in all cases, but it will be greatly to their advantage if owners employ competent professional advisers to act for them in all the technical work, i.e., (a) give an opinion as to the development value; (b) negotiate with Government experts; and (c) if necessary, appear at arbitration; and owners should be encouraged to do so as much in the Government's interests as in their own.

3. This will be greatly facilitated if the Government pay a contribution towards professional fees incurred by claimants. There are the further points (i) that such a payment would enable the scheme to start with the goodwill of the surveyors' profession; and (ii) that there is much to be said in equity for relieving private individuals of costs which they would not have had to incur but for the action of Parliament in depriving them of part of what they own. The matter was raised from the latter point of view when the Bills were before Parliament, but though sympathetic consideration was promised no undertaking was given.
4. The draft claim form includes an optional part asking for an estimate of the development value certified by "a person professionally experienced in the valuation of land". We propose that where such a person has been employed to give this certificate, the payment in respect of professional fees should be made by the Central Land Board to the claimant who would then settle with the professional adviser. The payment would be related on the ordinary professional scale to the development value as finally settled, and would be paid at that time. The proposal is set out in more detail in the Annex.

5. It is impossible to estimate closely the cost of this proposal, but it would certainly be very great. It may be as much as £14 millions. We feel therefore that a decision by the Cabinet is called for.

6. This memorandum is agreed by the Chancellor of the Exchequer.

A.W.

L.S.

11th March, 1948.
ANNEX

EXCHEQUER CONTRIBUTIONS TOWARDS PROFESSIONAL FEES INCURRED BY CLAIMANTS AGAINST THE £300 MILLIONS

1. The contribution will be made by the Central Land Board and will be payable only if "a person professionally experienced in the valuation of land" has been employed in order to fill in the optional part of the claim form and do the necessary technical work. It often happens in Scotland, and sometimes in England also, that solicitors are themselves accustomed to do valuation work and the phrase is wide enough to cover cases where a solicitor completes the optional part of the form and does the necessary technical work.

2. The payment will be made to the claimant and will be on Rylands Scale plus one-third, on the development value as ascertained by agreement, and will be made when that value is ascertained without waiting for the Treasury scheme. This formula will apply irrespective of what the claimant is actually charged.

3. If the case goes to arbitration no payment will be made - the question of costs being left to the arbitrator or arbritor.

4. Under the acts, if the ascertained development value does not exceed certain de minimis limits, the case is excluded automatically from eligibility against the £300 millions. In such cases no payment will be made.

5. Where a contribution is payable in accordance with the foregoing conditions, an additional payment may be made at the Board's discretion in respect of professional fees incurred on legal work as distinct from valuation work if the legal aspects of the case are quite exceptionally complicated.
FIVE-POWER TREATY

Note by the Secretary of State for Foreign Affairs

I circulate herewith for the approval of my colleagues the draft Five-Power Treaty as provisionally agreed on 12th March by the diplomatic representatives of the five Governments in Brussels.

E.B.

Foreign Office, S.W.1.,
14th March, 1948.
Draft Five-Power Treaty as provisionally agreed on the morning of 12th March by the Diplomatic Representatives of the five Governments in Brussels

His Royal Highness the Prince Regent of Belgium, the President of the French Republic, Her Royal Highness the Grand Duchess of Luxembourg, Her Majesty the Queen of the Netherlands, and His Majesty the King of Great Britain and Northern Ireland and the British Dominions beyond the Seas .......

Resolved

To reaffirm their faith in fundamental human rights, in the dignity and worth of the human person and in the other ideals proclaimed in the Charter of the United Nations;

To fortify and preserve the principles of democracy, personal freedom and political liberty, the rule of law and constitutional traditions, all of which are their common heritage;

To strengthen, with these aims in view, the economic, social and cultural ties by which they are already united;

To cooperate loyally and to co-ordinate their efforts to create in Western Europe a firm basis for European economic recovery;

To afford assistance to each other, in accordance with the Charter of the United Nations, in maintaining international peace and security and in resisting a policy of aggression;

To take such steps as may be held to be necessary in the event of a renewal by Germany of a policy of aggression;

To associate progressively in the pursuance of these aims other States inspired by the same ideals and animated by the like determination;

Desiring for these purposes to conclude a treaty for collaboration in economic, social and cultural matters and for collective self-defence.

Have appointed as their Plenipotentiaries:

His Royal Highness the Prince Regent of Belgium
The President of the French Republic
Her Royal Highness the Grand Duchess of Luxembourg
Her Majesty the Queen of the Netherlands
His Majesty the King of Great Britain and Northern Ireland and the British Dominions beyond the Seas for the United Kingdom of Great Britain and Northern Ireland who, having exhibited their full powers found in good and due form

Have agreed as follows:
Article I.

Convinced of the close community of their interests and of the necessity of uniting in order to promote the economic recovery of Europe, the High Contracting Parties will organise and co-ordinate their economic activities as to produce the greatest possible returns, by the elimination of conflict in their economic policies, the co-ordination of production and the development of commercial exchanges.

The co-operation provided for in the preceding paragraph which will be effected through the Consultative Council referred to in Article VII as well as through other bodies, shall not involve any duplication of, or prejudice to, the work of other economic organisations in which the High Contracting Parties are or may be represented but shall on the contrary assist the work of those organisations.

Article II.

The High Contracting Parties will make every effort in common, both by direct consultation and in specialised agencies, to promote the attainment of a higher standard of living by their people and to develop on corresponding lines the social and other related services of their countries.

The High Contracting Parties will consult with the object of achieving the earliest possible application of recommendations relating to social matters and of immediate practical interest, adopted with their approval in the specialised agencies.

They will endeavour to conclude as soon as possible conventions with each other in the sphere of social security.

Article III.

The High Contracting Parties will make every effort in common to lead their people towards a better understanding of the principles which form the basis of their common civilisation and to promote cultural exchanges by conventions between themselves or otherwise.
Article IV.

If any High Contracting Party should be the object of an armed attack in Europe, the other High Contracting Parties will, in accordance with the provisions of Article 51 of the Charter, afford the Party so attacked all the military and other aid and assistance in their power.

Article V.

All measures taken as a result of the preceding article shall be immediately reported to the Security Council. They shall be terminated as soon as the Security Council has taken the measures necessary to maintain or restore international peace and security.

The present treaty does not prejudice in any way the obligations of the High Contracting Parties under the provisions of the Charter of the United Nations. It shall not be interpreted as affecting in any way the authority and responsibility of the Security Council under the Charter to take at any time such action as it deems necessary in order to maintain or restore international peace and security.

Article VI.

The High Contracting Parties declare, each so far as he is concerned, that none of the international engagements now in force between him and any other High Contracting Party or any third state is in conflict with the provisions of the present Treaty.

None of the High Contracting Parties will conclude any alliance or participate in any coalition directed against any other High Contracting Party.

Article VII.

For the purpose of consulting together on all the questions dealt with in the present Treaty, the High Contracting Parties will create a Consultative Council, which shall be so organised as to be able to exercise its functions continuously. The Council shall meet at such times as it shall deem fit.

At the request of any High Contracting Party, the
Council shall be immediately convened in order to permit the High Contracting Parties to consult with regard to the attitude to be adopted and the steps to be taken in case of the renewal by Germany of an aggressive policy; with regard to any situation which may constitute a threat to peace in whatever area this threat should arise; or with regard to any situation constituting a danger to economic stability.

**Article VIII.**

In pursuance of their determination to settle disputes only by peaceful means, the High Contracting Parties will apply to disputes between themselves the following provisions:

The High Contracting Parties will, while the present treaty remains in force, settle all disputes falling within the scope of Article 36 (2) of the Statute of the International Court of Justice by referring them to the Court subject only, in the case of each of them to any reservation already made by that Party when accepting this clause for compulsory jurisdiction to the extent that that Party may maintain the reservation.

In addition, the High Contracting Parties will submit to conciliation all disputes outside the scope of Article 36, paragraph 2, of the Statute of the International Court of Justice.

In the case of a mixed dispute involving both questions for which conciliation is appropriate and other questions for which judicial settlement is appropriate, any Party to the dispute shall have the right to insist that the judicial settlement of the legal questions shall precede conciliation.

The preceding provisions of this Article in no way affect the application of relevant provisions or agreements prescribing some other method of pacific settlement.

**Article IX.**

The High Contracting Parties may by agreement invite any other State to accede to the present Treaty on conditions to be agreed between them and the State so invited.

Any State so invited may become a Party to the Treaty by depositing an instrument of accession with the Government of Belgium.

The Government of Belgium will inform each of the High Contracting Parties of the deposit of each instrument of accession.
Article X.

1. The present Treaty shall be ratified and the instruments of ratification shall be deposited as soon as possible with the Government of Belgium.

2. It shall enter into force on the date of the deposit of the last instrument of ratification and shall thereafter remain in force for fifty years.

3. After the expiry of the period of fifty years, each of the High Contracting Parties shall have the right to cease to be a party thereto provided that he shall have previously given one year's notice of denunciation to the Government of Belgium.

4. The Government of Belgium shall inform the other High Contracting Parties of the deposit of each instrument of ratification and of each notice of denunciation.

In witness whereof, the above mentioned Plenipotentiaries have affixed thereto their seals.

Done at Brussels, this .......... day of 1948, in English and French, each text being equally authentic, in a single copy which shall remain deposited in the archives of the Government of Belgium and of which certified copies shall be transmitted by that Government to each of the other signatories.
CABINET

HAVANA TRADE CONFERENCE

Memorandum by the President of the Board of Trade

The Havana Trade Conference is now in its concluding stages and the Final Act of the Conference is due to be signed on or about the 16th March. At Havana (as distinct from Geneva, where the Preparatory Committee for the Havana Conference was attended by some 20 countries) there have been 62 participants. The newcomers have neither the interest in world trade nor the advantage of long preparation which the countries members of the Preparatory Committee possess. They have thus been an extremely troublesome element. By virtue of their numerical strength they have been able to introduce certain changes (not always to our advantage) but all the other countries who were associated with us at Geneva have clearly come to the conclusion that concessions must be made. We are thus faced with a more or less solid body of opinion which has agreed on a draft Charter and is pressing with the utmost urgency that an end may be made to a Conference which has now been in session for nearly 4 months (about double the time originally planned).

Historical Summary and Commitments

2. The Havana Conference is the final stage of a long series of international negotiations which began with the discussions on commercial policy with the United States at the same time as the negotiations for the Financial Agreement in 1915. These discussions resulted in the "Proposals" (Cmd. 6709). At the time of their publication we associated ourselves with the Americans in sponsoring the "Proposals" and we undertook to endeavour to carry through the necessary international discussions to a successful conclusion (Appendix 1, paragraph 1). The Prime Minister also made a statement to this effect in the House of Commons on 6th December, 1915 (Appendix 1, paragraph 2).

3. The next stage in the international discussions was the assembling of a Preparatory Committee composed of 17 countries, including nearly all the major trading nations. Russia was invited but has consistently held aloof from all the international discussions, a point which, as the Canadians have been at pains to point out to us, adds some emphasis to the political need for a successful conclusion of the Havana Conference.

* Australia, Belgium, Canada, Czechoslovakia, France, Netherlands, New Zealand, Norway, S. Africa, U.S.A. The attitude of Brazil, Cuba and India was somewhat doubtful.
The result of the London meeting was (i) the production of the first draft of the Charter of an International Trade Organisation with a considerable measure of unanimity amongst the countries concerned (though the discussions were on the expert level and to that extent non-committal); and (ii) agreement on a plan to meet again for a more committal discussion of the draft Charter and for tariff negotiations amongst the countries which were members of the Preparatory Committee. The results of the London discussions were reported to the Committee on Overseas Economic Policy in O.E.P. (45) 10.

5. The discussions at Geneva in the summer of 1947 had two results. First, the draft Charter was further revised and elaborated. Every point in the draft was consistent with the decisions of Ministers. It was subsequently laid before Parliament as Cmd. 7212. Secondly, agreement was reached on the terms of the General Agreement on Tariffs and Trade, which incorporated —

(i) those parts of the draft Charter necessary to preserve the value of the tariff concessions referred to under (ii); and

(ii) the results of simultaneous tariff negotiations carried on between all the 22 countries which negotiated at Geneva.

The terms of this Agreement, which was considered by Ministers on several occasions in the late summer and autumn of 1947, were laid before Parliament in Cmd. 7258. On 29th January, 1948, the House of Commons approved the action of the Government in relation to this Agreement. We are at present only applying the Agreement provisionally (i.e. we can withdraw at 60 days' notice). The time for definite acceptance (when it will come into force for a period of 3 years and continue thereafter unless denounced with 6 months' notice) will come when other countries are also ready to proceed to this stage (some of them need to pass legislation before they can do so).

Present Position at Havana

6. As has been stated above, the Havana Conference is a world Conference, that is to say, all countries members of the United Nations (except Russia and some satellites) together with nearly all the non-members of the United Nations are present. The method of operation of the Conference has been to take the Geneva draft and go through it. As a result of the lesser interest in world trade of a number of the now countries and because of their reluctance to accept limitations on their freedom of action in relation to the protection and development of new industries, certain amendments have been introduced, which are not in the interests of ourselves, the United States and many other older established world traders. But the United States and the others have apparently come to the view that in the present state of the world a comprehensive International Trade Organisation is more important than the securing of a Charter with only limited adherence but which safeguards our and their position more effectively. The present position is thus that practically all the other participants in the Conference are ready for signature of the Final Act and we have to decide whether our Delegation shall sign it with or without reservation. Signature of the Final Act of the Conference will formally do no more than authenticate the text of the Charter, and will not involve any commitment to accept (i.e. ratify) the Charter, or even to recommend acceptance to
national legislatures. Many countries will undoubtedly feel no hesitation in signing the Final Act without prejudice to the question of acceptance. The United Kingdom Delegation have, however, taken the line that, although signature of the Final Act involves no commitment, it should imply a reasonable degree of probability that the country concerned will accept the Charter in due course. Signature by the United Kingdom delegate will undoubtedly be taken to mean that we intend to recommend the Charter to Parliament. The occasion for so doing will not occur until the Americans at least have accepted (or seem about to accept). It is unlikely that they will in fact be able to present the necessary legislation to Congress until next year.

7. It is not possible to circulate with this memorandum a complete final version of the text which we are asked thus to authenticate. It is broadly the same as the text submitted to Parliament in Cmd. 7212, but in addition to a number of drafting amendments of minor importance, amendments have been made on the points set out in Appendix 2. I deal with some more radical amendments on points of major importance in paragraphs 9 to 12 below. The relevant texts are attached as appendices, references to which will be found in the appropriate paragraphs.

8. On the following points changes have been made to our advantage:

(a) Article 42 (Appendix 3)
Customs Unions and steps towards Customs Unions.

(b) Article 99 (Appendix 4)
Colonial Accession.

On the following articles we have held our own, sometimes in most difficult circumstances but have given nothing away:

(c) Article 20, (2)(c) (Appendix 5)
Quota regulation for agricultural products.

(d) Article 93 (Appendix 6)
Relations with non-members.

On the following point we have had to accept the view of the majority on a matter on which we have been almost alone from the start though we have secured a useful bargain in return:

(e) Articles 72 and 75 (Appendix 7)
Voting and the Executive Board.

The three points of outstanding importance dealt with in the following paragraphs are:

(i) Quota protection for infant industries, where we have probably lost something in terms of trade but no great political point arises.

(ii) New preferences, where a point of great political significance arises but where we are faced with the choice of accepting the present position, which is the best we can get, or of breaking up the Conference.
(iii) Exceptions to the rule of non-discrimination, the issue as to which is somewhat more technical though it is of the utmost importance that we should secure a satisfactory text.

(1) Protective Quotas

9. The text of the relevant Article is given in Appendix 8. The question at issue here is the degree to which the so-called under-developed countries should be free to protect their infant industries by restricting imports by quotas and how far such action should be controlled by the International Trade Organisation. At earlier meetings (in London and Geneva) the Americans have been violently opposed to any freedom for the under-developed countries in this respect, but we and others were able to induce them to accept a compromise which we thought satisfied both the legitimate demands of the under-developed countries and our own need to safeguard our export trade. At Havana, however, the Americans, impressed no doubt by their own need to win over the Latin Americans, have taken the lead in pressing on us a version of the Article concerned which goes significantly further in weakening the control of the International Trade Organisation and correspondingly lessens the safeguards to our exports. While this new version may for this reason be open to a good deal of criticism from our own exporting interests, we should be alone in resisting it (not a single Commonwealth country would be with us) and we really have no choice but to fall into line. The merits and demerits of the proposed Article will, in fact, only become clear in the course of its administration by the Organisation and we could make clear, in accepting it, that we shall rely on the under-developed countries to use their freedom with reason.

(ii) New Preferences

10. The text of the relevant Article is in Appendix 9. The basic provision of the Charter, with regard to preferences, has always been that no new preferences shall be created and no existing ones increased. We committed ourselves to this at the end of the 1945 negotiations (see paragraph 2 above). The Geneva draft allowed for no departure from the rule unless, quite exceptionally, the Organisation approved it, by a two-thirds majority vote, as necessary for economic development. The stringency of these provisions has been heavily attacked at Havana by many of the under-developed countries, particularly those in regional groups. All the other Delegations have now agreed on a provision which places practically no obstacle in the way of creating new preferential systems, provided that they are between countries in the same "economic region" and are calculated to assist in their economic development. This provision may, in fact, be of some practical assistance to regional groups in our own Colonial Empire; but it would plainly make it much harder to defend the general freezing of the Ottawa system of Imperial Preference and our commitment under the "Proposals" of 1945 (Cmd. 6709) to negotiate for its reduction. Our Delegation have accordingly made it clear that any such differentiation between regional preferences and Imperial preferences would cause the utmost political difficulty. With some assistance from the Americans and some of the Commonwealth Delegations, we seem to have secured agreement on an explanatory note (see Appendix 9) which will explain that it is open to the Organisation to interpret the term "economic region" as applicable to parts of the Commonwealth even though they are separated by the oceans.
11. Our Delegation have been in constant touch with the other Commonwealth Delegations on this question and, having taken stock of it in the light of the final position set out above, are clear that we can secure no further amelioration of the position. All the Commonwealth countries are of opinion that they would be well-advised to accept and have indicated they could not support us if we tried to take the matter further. The position is admittedly unsatisfactory but our answer in Parliament must be that while the interpretative note does not give us everything we want we should have been alive in pressing for more and that it does at least open the door to some amelioration of the previously absolute rule about no new preferences. I should add that we should not be stopped under this Article from movements towards western union, which are dealt with in another Article.

(iii) Non-discrimination

12. The question of the extent to which members of the Organisation may depart from the principle of non-discrimination in administering their import restrictions has always been an intractable one—not least because of the technical difficulty of translating these economic considerations into treaty language. At Geneva we were able to secure a draft which allowed us the necessary freedom. At Havana the matter has been rendered more difficult for two reasons: (a) some members of the American Delegation have cast doubts on the proper interpretation of the Geneva text; and (b) the French, by taking fright at this, led the Americans to put forward an alternative text based on the transition provisions of the International Monetary Fund Agreement. This does not suit the United Kingdom, partly because its freedom under that Agreement has been limited by the Loan Agreement. The American Ambassador in London, however, has been most helpful on this issue and has represented our difficulties to Washington. As a result, we have secured the addition of words which removes the doubt about the interpretation of the Geneva text. I hope that our remaining difficulty (which relates to the place of the International Monetary Fund in this matter) will be removed by a provision which will allow us in effect to opt for the Geneva rules, while leaving others (notably the French) subject to rules based on the International Monetary Fund. At the time of circulation a satisfactory text has not been agreed, but I will report further orally. I attach at Appendix 10 for the purposes of illustration the text of the relevant Article as it would appear in a form satisfactory to us.

Attitude of Other Countries

13. The Americans have clearly decided to go some way in giving in to the under-developed countries in order to secure a wide membership for the Organisation. It would be a great shock to them if we, who have been committed to association with them in the enterprise from the start, were to fall out at the very end of the long process of negotiation and conference. Most of the countries whose political ideals are the same as ours would share this feeling and would be distressed at the failure to agree on a forward-looking enterprise at a time when agreement between countries outside the Russian sphere of influence has a special importance. In particular, the Governments of Commonwealth countries, some of whom share to varying degrees our apprehensions about this or that provision in the draft Charter, have made it clear that they attach great value to the setting up of an International Trade Organisation. The Western Europeans have throughout the Conference demonstrated their anxiety to come to an agreement in order not to run any risks in connection with Marshall Aid. In this connection it should be noted that there
is nothing in the draft Charter which is inconsistent with the ideals of economic co-operation with Western Europe; on the contrary amendments to the Geneva draft have been secured which make it easier to achieve Customs Unions or similar arrangements.

Attitude to be adopted by the United Kingdom

14. In the light of the above considerations doubts that may still exist as to the lack of positive advantage to our export trade must take second place. If we were to stand out at this stage we should do so practically alone. The Americans would undoubtedly be able to cast the odium of breakdown on us and thereby gain credit with all the under-developed countries, including nearly all the Latin-Americans and probably India and Ceylon as well. We should also have increased the risk that the Americans would not be able to carry through their programme of reducing their own tariff which is very much in our own long-term economic interest (Mr. Truman's message to Congress on 1st March, 1948, asking for renewal of their Reciprocal Trade Agreements Act referred to the setting up of the International Trade Organisation as an integral part of this programme). Finally we should have no support from the Commonwealth, not even on the question of new preferences.

Recommendations

(1) Signature of the Final Act

15. I recommend therefore that the United Kingdom Delegate should sign the Final Act without reservation, provided that there is no worsening of the position on new preferences as described in paragraphs 10 and 11, and subject to a satisfactory settlement on non-discrimination (see paragraph 12). In his final speech however he should indicate that His Majesty's Government will need to make considerable use of the latitude provided for in respect of non-discrimination in the early years and that if the balance of payments crisis now upon us grows worse and not better, it may become impossible for a great many countries to observe even the present rules. In order to make clear our anxieties about the rules relating to new preferences, he should add that we look forward to the setting up of an International Trade Organisation and will bend our endeavours to making it a live instrument for economic progress. Our power to do so, however, will, in common with that of every other country, be conditioned by the good sense with which the Organisation undertakes the difficult task of giving practical effect to the many complicated rules and discretions in the Charter.

(2) Consequential amendments to the General Agreement

16. If the Havana Conference comes to a successful conclusion, consequential amendments to the General Agreement on Tariffs and Trade (which do not in any way affect the commitments we have made) will be needed. These are described in Appendix 11 and I ask for my colleagues' approval.

H.W.

Board of Trade, S.W.1.,
12th March, 1948.
LIST OF APPENDICES


2. Text of Articles substantially but not radically amended and notes on effect of amendments.

3. Text of Article 42 (Customs Unions) with note.

4. Text of Colonial Accession Article with note.

5. Text of Article 20(2)(c) (Agricultural quotas)

6. Text of Article 93 (Non-members) with note.

7. Text of Articles 72 and 75 (Voting and the Executive Board) with note.

8. Text of Article 13 (Development Quotas)

9. Text of Article 15 (New Preferences) and interpretative notes thereto.

10. Text of Article 23 for purposes of illustration (not yet agreed).

11. Note on consequential amendments to the General Agreement on Tariffs and Trade.
APPENDIX 1.

This Appendix contains (1) the joint statement by the United States and the United Kingdom issued along with the "Proposals for consideration by an International Conference on Trade and Employment" & (2) an extract from the statement by the Prime Minister in the House of Commons on 6th December, 1945 regarding the "Proposals" (Cmd 6709).

1. Joint statement by the United States and the United Kingdom regarding the understanding reached on Commercial Policy.

6th December, 1945.

The Secretary of State of the United States has made public to-day a document setting forth certain "Proposals for consideration by an International Conference on Trade and Employment". These proposals have the endorsement of the Executive branch of the Government of the United States and have been submitted to other governments as a basis for discussion preliminary to the holding of such a conference.

Equally, the Government of the United Kingdom is in full agreement on all important points in these proposals and accepts them as a basis for international discussion, and it will, in common with the United States Government, use its best endeavours to bring such discussions to a successful conclusion in the light of the views expressed by other countries.

The two Governments have also agreed upon the procedures for the international negotiation and implementation of these proposals. To this end they have undertaken to begin preliminary negotiations at an early date between themselves and with other countries for the purpose of developing concrete arrangements to carry out these proposals, including definitive measures for the relaxation of trade barriers of all kinds.

These negotiations will relate to tariffs and preferences, quantitative restrictions, subsidies, State trading, cartels, and other types of trade barriers treated in the document published by the United States and referred to above. The negotiations will proceed in accordance with the principles laid down in that document.

2. Extract from the Statement by the Prime Minister in the House of Commons on 6th December, 1945.

"............ The Secretary of State of the United States has made public to-day a document setting forth certain "Proposals for consideration by an International Conference on Trade and Employment". These proposals have the endorsement of the Executive branch of the Government of the United States and have been submitted to other Governments as a basis for discussion preliminary to the holding of such a conference. Equally, the Government of the United Kingdom is in full agreement on all important points in these proposals, and accepts them as a basis for international discussion, and it will, in common with the United States Government, use its best endeavours to bring such discussions to a successful conclusion in the light of the views expressed by other countries.

The two Governments have also agreed upon the procedure for the international negotiations and the implementation of these proposals. To this end, they have undertaken to begin preliminary negotiations at an early date between themselves and with other countries, for the purpose of developing concrete arrangements to carry out these proposals, including definitive measures for the relaxation of trade barriers of all kinds. These negotiations will relate to tariffs and preferences, quantitative restrictions, subsidies, State trading, cartels, and other types of trade barriers treated in the document published by the United States and referred to above. The negotiations will proceed in accordance with principles laid down in that document". ............
This Appendix indicates the effect of changes, which are substantial but not radical, in certain provisions of the Charter, and gives the new texts of those provisions.

(a) Tariffs and Preferences

The Article relating to Reduction of Tariffs and Elimination of Preferences (Article 17) has been amended to read as in the text given below. The effect of the amendments is to elaborate the provisions governing the procedure of tariff negotiations and the steps which can be taken if any Member fails to make adequate concessions.

Article 17

Reduction of Tariffs and Elimination of Preferences

1. Each Member shall, upon the request of any other Member or Members, and subject to procedural arrangements established by the Organisation, enter into and carry out with such other Member or Members negotiations directed to the substantial reduction of the general levels of tariffs and other charges on imports and exports and to the elimination of the preferences referred to in paragraph 2 of Article 16, on a reciprocal and mutually advantageous basis.

2. The negotiations provided for in paragraph 1 shall proceed in accordance with the following rules:

(a) Such negotiations shall be conducted on a selective product-by-product basis which will afford an adequate opportunity to take into account the needs of individual countries and individual industries. Members shall be free not to grant concessions on particular products and, in the granting of a concession, they may either reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

(b) No Member shall be required to grant unilateral concessions, or to grant concession to other Members without receiving adequate concessions in return. Account shall be taken of the value to any Member of obtaining in its own right and by direct obligation the indirect concessions which it would otherwise enjoy only by virtue of Article 16.

(c) In the negotiations relating to any specific product

(i) when a reduction is negotiated only in the most-favoured-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;

(ii) when a reduction is negotiated only in the preferential rate, the most-favoured-nation rate shall automatically be reduced to the extent of such reduction;

(iii) when it is agreed that reductions will be negotiated in both the most-favoured-nation rate and the preferential rate, the reduction in reduction in each shall be that agreed by the parties to the negotiations;

(iv) no margin of preference shall be increased.

(d) The binding against increase of low duties or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

(e) Prior international obligations shall not be invoked to frustrate the requirement under paragraph 1 of this Article to negotiate with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except (i) with the consent of the parties to such obligations, or, in the absence of such consent, (ii) by notification or termination of such obligations in accordance with their terms.
3. The negotiations leading to the General Agreement on Tariffs and Trade, concluded at Geneva on 30 October 1947, shall be deemed to be negotiations pursuant to this Article. The concessions agreed upon as a result of all other negotiations completed by a Member pursuant to this Article shall be incorporated in the General Agreement on terms to be agreed with the parties thereto. If any Member enters into any agreement relating to tariffs or preferences which is not concluded pursuant to this Article, the negotiations leading to such agreement shall nevertheless conform to the requirements of paragraph 2 (c) of this Article.

4. (a) The Provisions of Article 16 shall not prevent the operation of paragraph 5(b) of Article XXV of the General Agreement on Tariffs and Trade, and shall cease to require the application of the General Agreement within two years from the entry into force of this Charter for such Member of the concessions embodied in the relevant Schedule of the General Agreement by any other Member which has requested such Member to negotiate with a view to becoming a contracting party to the General Agreement on Tariffs and Trade as has failed to reach an agreement to this end with such Member; Provided that the Organisation by a majority vote may require such continued application to any Member which has been unreasonably prevented from becoming a party to the General Agreement pursuant to negotiations in accordance with the provisions of this Article.

(b) If a Member which is a contracting party proposed to withhold tariff concessions from the trade of a Member not a party to the General Agreement on Tariffs and Trade, it shall give notice in writing to the Organisation and to the affected Member, which may request the Organisation to require the continuance of such concessions, and if such request has been made the tariff concessions shall not be withheld pending a decision by the Organisation under paragraph 4 (c).

(c) If any judgment as to whether a Member has been unreasonably prevented from becoming a party to the General Agreement, and in any judgment under Chapter VIII as to whether a Member has failed without sufficient justification to fulfill its obligations under this Article, the Organisation shall have regard to all relevant circumstances, including the developmental, reconstruction and other needs and the general fiscal structures of the Member countries concerned and to the provisions of the Charter as a whole. If in fact such concessions are withheld, so as to result in the application to the trade of the other Member Of Tariffs higher than would otherwise have been applicable, such other Member shall then be free, within sixty days after such action becomes effective, to give written notice of withdrawal from the Organisation. The withdrawal shall take effect upon the expiration of sixty days from the day on which such notice is received by the Organisation.

Interpretative Notes

Article 17

It is understood that an internal tax (other than a general tax uniformly applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities would be treated as a customs duty under this Article in any case in which a tariff concession on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax.

Sub-paragraph 2 (d)

In the event of the devaluation of a Member's currency, or of a rise in prices, the effects of such devaluation or rise in prices would be matter for consideration during negotiations in order to determine, first, the change, if any, in the protective incidence of the specific duties, of the Member concerned and, secondly, whether the binding of such specific duties represents in fact a concession equivalent to value to the substantial reduction of high duties or the elimination of tariff preferences.
The Articles relating to Subsidies, Articles 25/29 in Cmd 7242, have been amended to read as in the text given below. The effect of the amendments is to give greater freedom in the use of export subsidies on primary commodities but to strengthen the provisions designed to prevent the member subsidizing such commodities from acquiring more than an equitable share of world trade.

**Article 25**

**Subsidies in General**

If any Member grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to maintain or increase exports of any products from, or to reduce, or prevent an increase in, imports of any product into, its territory, the Member shall notify the Organization in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from the territory of the Member and of the circumstances making the subsidization necessary. In any case in which a Member considers that serious prejudice to its interests is caused or threatened by any such subsidization, the Member granting the subsidy shall, upon request, discuss with the other Member or Members concerned, or with the Organization, the possibility of limiting the subsidization.

**Article 26**

**Additional Provisions on Export Subsidies**

1. No Member shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or system results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in the conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be construed to be in conflict with the provisions of paragraph 1 of this Article. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under Article 25.

3. Members shall give effect to the provisions of paragraph 1 of this Article at the earliest practicable date, but not later than two years from the day on which this Charter enters into force. If any Member considers itself unable to do so in respect of any particular product or products, it shall, at least three months before the expiration of such period, give notice in writing to the Organization, requesting a specific extension of the period. Such notice shall be accompanied by a full analysis of the system in question and the circumstances justifying it. The Organization shall then determine whether, and if so on what terms, the extension requested should be made.

4. Notwithstanding the provisions of paragraph 1 of this Article, any Member may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a non-Member affecting the Member's exports of the product. However, the Member shall, upon the request of the Organization or of any other Member who considers that its interests are seriously prejudiced by such action, consult with that Member or with the Organization with a view to reaching a satisfactory adjustment of the matter.
Special Treatment of Primary Commodities

1. A system for the stabilisation of the domestic price or of the return of domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 1 of Article 26, if the Organization determines that

   (a) the system has also resulted, or is so designed as to result, in the sale of the product for export at a price higher than the comparable price charged for the like product to buyers in the domestic market, and
   
   (b) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other members.

2. Any Member granting a subsidy affecting a primary commodity shall cooperate at all times in efforts to negotiate agreements under the procedures of Chapter VI.

3. In any case involving a primary commodity, if a Member considers that its interests would be seriously prejudiced by compliance with the provisions of Article 26, or if a Member considers that its interests are seriously prejudiced by the granting of any form of subsidy, the procedure laid down in Chapter VI may be followed. The Member which considers that its interests are thus seriously prejudiced shall, however, be exempt provisionally from the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, subject to the provisions of Article 28.

4. No Member shall grant a new subsidy or increase an existing subsidy affecting the export of a primary commodity during a commodity conference called for the purpose of negotiating an inter-governmental control agreement for the commodity concerned unless the Organization consents. Any such new or additional subsidy shall be subject to the provisions of Article 28.

5. If the measures provided for in Chapter VI have not succeeded, or do not promise to succeed, within a reasonable period of time, or if an agreement is inappropriate, any Member which considers that its interests are seriously prejudiced shall not be subject to the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, subject to the provisions of Article 28.

Undertaking Regarding Stimulation of Exports of Primary Commodities

1. Any Member granting any form of subsidy which operates directly or indirectly to maintain or increase the export of any primary commodity from its territory shall not apply the subsidy in such a way as to have the effect of maintaining or acquiring for that Member more than an equitable share of world trade in that commodity.

2. The Member granting such subsidy shall promptly notify the Organization of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected commodity exported from its territory, and of the circumstances making the subsidization necessary. The Member shall promptly consult with any other Members which consider that serious prejudice to their interests is caused or threatened by the subsidization.

3. If, within a reasonable period of time, no agreement is reached in such consultation, the Organization shall make a finding as to what constitutes an equitable share and the Member granting the subsidy shall conform to this finding.
4. In making its finding, the Organization shall take into account any factors which may have affected, or may be affecting, world trade in that primary commodity, and shall have particular regard to

(a) the Member's share of world trade in the commodity in a previous representative period;

(b) whether the subsidizing Member's share of world trade in the commodity is so small that the effect of the subsidy on such trade is likely to be of minor significance;

(c) the degree of importance of the external trade in the commodity to the economy of the Member granting, and to the economies of the Members materially affected by, the subsidy;

(d) the existence of price stabilization systems in accordance with paragraph 1 of Article 27;

(e) the desirability of facilitating the gradual expansion of production for export in those areas able to satisfy world market requirements of the commodity concerned in the most effective and economic manner, and therefore of limiting any subsidies or other measures which make that expansion difficult.
A new Article 31A (Liquidation of non-commercial Stocks) has been inserted in the State Trading Section of which the text is given below. The effect is to provide safeguards against the dislocation likely to be caused by liquidation of strategic stocks of primary commodities.

**Article 31A.**

**Liquidation of Non-Commercial Stocks**

1. If a Member holding stocks of any primary commodity accumulated for non-commercial purposes should liquidate such stocks, it shall carry out such liquidation, as far as practicable, in a manner that will avoid serious disturbance to world markets for the commodity concerned.

2. Any such Member shall:
   (a) give not less than four months public notice of its intention to liquidate such stocks; or
   (b) give not less than four months prior notice to the Organisation of such intention.

3. The Member concerned shall, at the request of any Member which considers itself substantially interested, consult as to the best means of avoiding substantial injury to the economic interests of producers and consumers of the primary commodity in question. In cases where the interest of several Members might be substantially affected, the Organization may participate in such consultation, and the Member holding these stocks shall give due consideration to its recommendations.

4. The provisions of paragraphs 1, 2 and 3 shall not apply to routine disposal of supplies necessary for the rotation of stocks to avoid deterioration.

**Boycotts**

The Article relating to boycotts (Article 39) has been deleted. The effect of this in conjunction with the other provisions of the Charter as now drafted is that boycotts will either be dealt with under the provisions regarding modification and impairment or, if connected with a dispute referred to the United Nations, will be remitted to that body and not considered by the I.T.O. (see provisions of Article 83A given below at (f))

**Tariff Committee**

The article relating to the Tariff Committee has been deleted. The effect of this is that the functions which in earlier drafts were envisaged as falling to the Tariff Committee (supervision of tariff negotiations etc.) would be exercised by the Executive Board itself, subject to appeal to the Conference of the I.T.O.

**Relations with the United Nations**

A new Article 83A (Relations with the United Nations) has been inserted, the text of which is given below. This includes, in addition to provisions regarding the relationship agreement between the I.T.O. and the United Nations transferred from Article 84 in Cmd.7212, new provisions to avoid conflict of jurisdiction between the I.T.O. and the United Nations in regard to measures connected with political disputes.
New Article (83A)

Relations with the United Nations

1. The Organization shall be brought into relationship with the United Nations as soon as practicable as one of the specialized agencies referred to in Article 57 of the Charter of the United Nations. This relationship shall be effected by agreement to be approved by the Conference.

2. Any such agreement shall, subject to the provisions of this Charter, provide for effective co-operation and the avoidance of unnecessary duplication in the activities of the respective organization, and for co-operation in furthering the restoration and maintenance of international peace and security.

3. In order to avoid conflict of responsibility between the United Nations and the Organization with respect to political matters, any measure which is directly in connection with a political matter brought before the United Nations in accordance with the Chapter IV or VI of the United Nations Charter shall be deemed to fall within the scope of the United Nations, and shall not be subject to the provisions of this Charter.

4. No action, taken by a member in pursuance of its obligations under the United Nations Charter for the restoration and maintenance of international peace and security, shall be deemed to conflict with the provisions of this Charter.

Interpretative Note

(a) If any Member raises the question whether a measure taken under paragraph 3 of this Article is in fact directly in connection with a political matter brought before the United Nations in accordance with the terms of Chapter IV or Chapter VI of the United Nations Charter, the responsibility for making a determination on the question shall rest with the International Trade Organization, but if political issues beyond the competence of the Organization are involved the question shall be deemed to fall within the scope of the United Nations.

(b) If a Member which has no direct political concern in the matter brought before the United Nations finds that a measure taken under paragraph 3 of this Article nullifies or impairs any benefit accruing to it directly or indirectly in the absence of such measures, it shall seek redress only by recourse to the procedures laid down in Chapter VIII of the Charter of the International Trade Organization.
APPENDIX 3

Customs Unions and steps towards Customs Unions

The Customs Union Article as now drafted provides a satisfactory framework for the formation of Customs Unions and for the interim measures leading to Full Customs Unions. Alterations made at Havana to the Geneva text will give us more room to manoeuvre in respect of preferences; in particular there is now a clause allowing for the possibility, in special circumstances, of departures from the strict interpretation of the main provisions. The new text is given below.

Article A2B

Customs Unions and free-trade areas.

1. Members recognise that the purpose of a Customs Union or of a free-trade area should be to facilitate trade between the parties to it and not to raise obstacles to the trade of other members with such parties.

2. The provisions of this chapter shall not therefore be construed to prevent the formation of a Customs Union or the establishment of a free-trade area or the adoption of an interim agreement necessary for the formation of a Customs Union or a free-trade area; provided that:

   (A) With respect to a Customs Union, or an interim agreement leading to the establishment of a Customs Union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with members of the organisation shall not, on the whole, be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

   (B) With respect to a free-trade area, or an interim agreement leading to the establishment of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the establishment of such free-trade area, or the adoption of such interim agreement, to the trade of members not participating in the arrangement shall not be higher or more restrictive than the corresponding tariffs and other regulations of commerce existing in the same constituent territory prior to the establishment of the free-trade area, or interim agreement, as the case may be; and

   (C) Any interim agreement referred to in sub-paragraphs (A) and (B) above shall include plan and schedule for the attainment of such a Customs Union or the establishment of such free-trade area within a reasonable length of time.

3. (A) Any member deciding to enter into a Customs Union or a free-trade area, or an interim agreement leading to the formation of such a Union or free-trade area, shall promptly notify the organisation and shall make available to it such information regarding the proposed union or free-trade area, as will enable the organisation to make such reports and recommendations to members as it may deem appropriate.

   (B) If, after having studied the plans and schedules provided for in an interim agreement under paragraph 2, in consultation with the parties to that agreement and taking due account of the information made available in accordance with the terms of sub-paragraph (A), the organisation finds that such agreement is not likely to result in a Customs Union or in the establishment of a free-trade area within the period contemplated by the
parties to the agreement or that such period is not a reasonable one, the organisation shall make recommendations to the parties to the agreement. If the parties are not prepared to modify the agreement in accordance with such recommendations they shall not maintain it in force or institute such agreement if it has not yet been concluded.

(o) Any substantial change in the plan or schedule shall be notified to the organisation which may request the members concerned to consult with it if the change seems likely to jeopardise or delay unduly the achievement of the Customs Union or the free-trade area.

4. For the purposes of this Charter:

(A) A Customs Union shall be understood to mean the substitution of a single Customs territory for two or more customs territories, so that:

(I) Tariffs and other restrictive regulations of commerce (except, where necessary, those permitted under Section B. of chapter IV and under Article 43) are eliminated on substantially all the trade between the constituent territories of the Union or at least on substantially all the trade in products originating in such territories and

(II) Subject to the provisions of paragraph 5, substantially the same tariffs and other regulations of commerce are applied by each of the members of the Union to the trade of territories not included in the Union;

(B) A free-trade area shall be understood to mean a group of two or more customs territories in which the tariffs and other restrictive regulations of commerce (except, where necessary, those permitted under Section B. of Chapter IV and under Article 43) between such territories are eliminated on substantially all the trade in products originating in constituent territories of the free-trade area.

5. The preferences referred to in paragraph 2 of Article 16 shall not be affected by the constitution of a Customs Union or a free-trade area but may be eliminated or adjusted by means of negotiations with members affected. This procedure of negotiation with affected members shall, in particular, apply to the elimination of preferences required to conform with the provisions of sub-paragraphs (A)(I) and (E) of paragraph 4.

6. The organisation may by a two-thirds majority of the members present and voting approve proposals which do not fully comply with the requirements of the preceding paragraphs, provided that they lead to the establishment of a customs union or a free-trade area in the sense of this Article.
Colonial Accession

Under the Charter as drafted at Geneva the United Kingdom would, by accepting the Charter on behalf of the United Kingdom have automatically committed the Colonies also. This might have been embarrassing to us, since we could not compel all colonial legislatures to undertake the obligations of the Charter. As the result of pressure by us at Havana the relevant article has now been re-drafted to allow of separate accession by individual Colonies.

The new text is given below.

Article 99

Territorial Application

1. Each Government accepting this Charter does so in respect of its metropolitan territory and of the other territories for which it has international responsibility except such separate customs territories as it shall notify to the Organisation at the time of its own acceptance.

2. Each Member may at any time accept this Charter in accordance with paragraph 1 of Article 99 on behalf of any separate customs territory excepted under paragraph 1 of this Article.

3. Each Member shall take such reasonable measures as may be available to it to assure observance of the provisions of this Charter by the regional and local governments and authorities within its territory.
APPENDIX 5

Quota Regulation for Agricultural Products

Article 20

General Elimination of Quantitative Restrictions

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any Member on the importation of any product of any other Member country or on the exportation or sale for export of any product destined for any other Member country.

2. The provisions of paragraph 1 of this Article shall not extend to the following:

(a) export prohibitions or restrictions applied for the period necessary to present or relieve critical shortages of foodstuffs or other products essential to the exporting Member country;

(b) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade; if, in the opinion of the Organisation, the standards or regulations adopted by a Member under this sub-paragraph have an unduly restrictive effect on trade, the Organisation may request the Member to revise the standards or regulations; provided that it shall not request the revision of standards internationally agreed under paragraph 7 of Article 38;

(c) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate effectively:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is a substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported products can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.
With regard to import restrictions applied under the provisions of sub-paragraph 2 (c):

(a) such restrictions shall be applied only so long as the governmental measures referred to in sub-paragraph 2 (c) are in force, and when applied to the import of products, domestic supplies of which are available during only a part of the year, shall not be applied in such a way as to prevent their import in quantities sufficient to satisfy demand for current consumption purposes during those periods of the year when like domestic products, or domestic products for which the imported product can be directly substituted, are not available;

(b) any Member intending to introduce restrictions on the importation of any product shall in order to avoid unnecessary damage to the interests of exporting countries give notice in writing, as far in advance as practicable, to the Organisation and to Members having a substantial interest in supplying that product, in order to afford such Members adequate opportunity for consultation in accordance with paragraphs 2 (d) and 4 of Article 22, before the restrictions enter into force. At the request of the importing Member concerned the notification and any information disclosed during these consultations shall be kept strictly confidential;

(c) any Member applying such restrictions shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value;

(d) any restrictions applied under sub-paragraph 2 (c)(i) shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the Member shall pay due regard to the proportion prevailing during a previous representative period, and to any special factors which may have affected or may be affecting the trade in the product concerned.

Throughout this Section the terms "import restrictions" or "export restrictions" include restrictions made effective through State-trading operations.

Interpretative Notes

Sub-paragraph 2 (a)

In the case of products which are basic to diet in the exporting country and which are subject to alternate annual shortages and surpluses, the provisions of this sub-paragraph do not preclude such export prohibitions or restrictions as are necessary to maintain from year to year domestic stocks sufficient to avoid critical shortages.

Sub-paragraph 2 (c)

The term "agricultural and fisheries product, imported in any form," means the product in the form in which it is originally sold by its producer, and such processed forms of the product as are so closely related to the original product as regards utilisation, that their unrestricted importation would make the restriction on the original product ineffective.
Sub-paragraph 3 (b)

The provisions of Article 20 (3) (b) with regard to prior consultation would not prevent a Member which had given other Members a reasonable period of time for such consultation from introducing the restrictions at the date intended. It is recognised that, in the case of consultation with regard to import restrictions applied under sub-paragraph 2 (c) (ii), the period of advance notice provided would in some cases necessarily be relatively short.

Sub-paragraph 3 (d)

The term "special factors" in sub-paragraph 3 (d) includes inter alia changes in relative productive efficiency as between domestic and foreign producers, which may have occurred since the representative period.
APPENDIX 6

Relations with non-members

The general principle which has been adopted is that a member of the Organisation may not grant to a non-member treatment more favourable than he grants to another member (subject to all the complicated escape clauses of the Charter). This represents a substantial weakening of earlier drafts of the relevant Article under which the member would in certain circumstances have been precluded from offering to a non-member treatment as favourable as that offered to a member. The same general principle is intended to apply as regards acceptance of benefits from a non-member. In this case, however, the provision is drafted so that a member may not receive from a non-member preferential or exclusive benefits which would damage the interest of another member.

The new text is given below.

ARTICLE 93

RELATIONS WITH NON-MEMBERS

Nothing in this charter shall preclude any member from maintaining economic relations with non members.

2. Members recognise that subject to the provisions of Article 15 it would be inconsistent with the purpose of this charter to seek any arrangements with non members for the purpose of obtaining for the trade of such members preferential treatment as compared with the trade of other members or so to conduct their trade with non members as to result in injury to other members. Accordingly:

(A) No member shall enter into any new arrangement with a non member which precludes the non member from extending to other members any benefit provided for by such arrangement.

(B) Subject to the provisions of Chapter IV no member shall extend to the trade of any non member treatment which being more favourable than that which it extends to any member injures the economic interests of another member.

3. Nothing in this charter shall be interpreted to require a member to extend to non members treatment as favourable as that which it extends to members under the provisions of the charter. Failure to extend such treatment shall not be regarded as inconsistent with the terms or the spirit of the charter.

4. The Executive Board shall make periodic studies of general problems arising out of commercial relations between members and non members and with a view to promoting the purpose of the charter, may make recommendations to the conference with respect to such relations. Any recommendation involving alterations in provisions of this article shall be dealt with in accordance with Article 95.

INTERPRETATIVE NOTE:

The Sub-Committee agreed that nothing in Article 93 shall be construed to prejudice or prevent the operation of the provision of Article 57(1) regarding the treatment to be accorded to non participating countries under the terms of a commodity control agreement which conforms to the requirements of Chapter VI.
Voting and the Executive Board

There has been no support within the Conference for the United Kingdom proposal that decisions should be taken by the Organisation on the basis of a system of weighted voting. The principle of "one State, one vote" has been adopted (see text of Article 72 below). It is difficult to forecast how this system will work out in practice. If the majority of the Latin countries in particular finally ratify the Charter, their voting strength will be an important factor in the situation, particularly since it will often be at the disposal of the U.S.A. Day to day decisions by the Organisation will be in the hands of its Executive Board: this will consist of 18 members, all of whom will be subject to re-election from time to time. We have, however, secured the useful bargain that eight of the seats on the Executive Board shall be reserved for the countries of chief economic importance having regard to international trade (see text of Article 75 below). The provision for re-election will only affect one, or possibly two, of these reserved seats and the United Kingdom, together with the other countries of major importance in international trade, should be in no danger of losing, in practice, a permanent seat on the Executive Board of the Organisation. In any case, it will be clear to other participating countries that a country like the United Kingdom, whose prosperity is vitally dependent on international trade, could not continue to be a member of the Organisation if due account were not taken of its special needs and views in all matters affecting the operations of the Organisation.

The new texts are given below.

Article 72

Voting

1. Each Member shall have one vote in the Conference.

2. Except as otherwise provided in the Charter, decisions of the Conference shall be taken by a majority of the Members present and voting, provided that the rules of procedure of the Conference may permit a Member to request a second vote if the number of votes cast is less than one-half of the Members of the Organisation, in which case the decision reached on the second vote would be final whether or not the majority of votes cast comprises more than one-half of the Members of the Organisation.

Article 75

Composition of the Executive Board

1. The Executive Board shall consist of the representatives of eighteen Members of the Organisation selected by the Conference; provided that a customs union, as defined in paragraph 4 of Article 42, may be so elected if all of its members are Members of the Organisation and if its members desire to be represented as a unit.
2. The Executive Board shall be representative of the major geographical areas included within the membership of the Organisation. In selecting the members of the Executive Board, the Conference shall have regard to the objective of ensuring that the Board includes Members or customs unions of chief economic importance having particular regard to international trade, and is representative of the diverse types of economies or different degrees of economic development existing within the membership of the Organisation.

3. (a) At intervals of three years the Conference shall determine, by a two-thirds majority of the Members present and voting, the eight Members or customs unions of chief economic importance having particular regard to international trade. Such Members or customs unions shall be declared members of the Executive Board.

(b) The other members of the Executive Board shall be elected by the Conference by a two-thirds majority of the Members present and voting.

(c) If on two consecutive ballots no member is elected, the remainder of the election shall be by a majority of the Members present and voting.

4. The term of a member of the Executive Board shall be three years, except that, at the first election, the provisions of Annex X shall apply. Any vacancy in the Board shall be filled by the Conference for the unexpired term of the vacancy.

5. The Conference shall establish rules for giving effect to the provisions of this Article.
Article 13

Governmental Assistance to Economic Development

1. The Members recognize that special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries, or particular branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies, unwarranted restrictions on international trade and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. (a) If a Member in the interest of its economic development or reconstruction or for the purpose of increasing a most-favoured-nation rate of duty in connection with the establishment of a new preferential agreement in accordance with Article 15 considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with any obligation which the Member has assumed through negotiations with any other Member or Members pursuant to Chapter IV, but which would not conflict with the provisions of that Chapter, such Member shall enter into direct negotiations with all the other Members which have contractual rights with a view to obtaining agreement. The Members shall be free to proceed in accordance with the terms of any such agreement, provided that the Organization is informed of the results of the negotiations; or (ii) shall initially or may in the event of failure to reach agreement under sub-paragraph (i) above apply to the Organization. The Organization shall determine, from among Members which have contractual rights, the Member or Members materially affected by the proposed measure and shall sponsor negotiations between the applicant Member and these Members with a view to obtaining expeditious and substantial agreement. The Organization shall establish and communicate to the Members concerned a time schedule for such negotiations, following as far as practicable any time schedule which may have been proposed by the applicant Member. The Members shall commence and proceed continuously with such negotiations in accordance with...
the time schedule laid down by the Organization. At the request of a Member the Organization may, where it concurs in principle with the proposed measure, assist in the negotiations. Upon substantial agreement being reached, the applicant Member may be released by the Organization from the obligation referred to in this paragraph, subject to such limitations as may have been agreed upon in the negotiations between the Members concerned.

(b) If as a result of action initiated under this paragraph, there should be an increase in the importations of the product or products concerned, including products which can be directly substituted therefor, which if continued would be so great as to jeopardize substantially the plans of the applicant Member for the establishment, development or reconstruction of the industry, industries or branches of agriculture concerned, and if no preventive measures consistent with this Charter can be found which seem likely to prove effective, the applicant Member may, after informing, and when practicable consulting with the Organization, adopt such other measures as the situation may require; provided that such measures do not restrict imports more than necessary to offset the increase in imports referred to in this sub-paragraph. Except in unusual circumstances, such measures shall not reduce imports below the level obtaining in the most recent representative period preceding the date on which the Member initiated action under sub-paragraph (a) of this paragraph. The Organization shall determine, as soon as practicable, whether such measures should be continued, discontinued or modified. Such measures shall in any case be terminated as soon as the Organization determines that the re-negotiations are completed or discontinued. It is recognized that the contractual relationships referred to in sub-paragraph (a) of this paragraph involve reciprocal advantages, and therefore any other Member which has a contractual right in respect of the product to which such action relates, and whose trade is materially affected by the action, may suspend the application to the trade of such Member of such substantially equivalent obligations or concessions under Chapter IV, the suspensions of which the Organization does not disapprove. Any Member intending to suspend such application shall consult the Organization before doing so.

3. In the case of any non-discriminatory measure affecting imports which would conflict not only with any obligation which the Member has assumed through negotiations with any other Member or Members pursuant to Chapter IV, but
also with the provisions of that Chapter, the provisions of paragraph 2(a) (ii) shall apply; provided that before granting a release, the Organization shall afford adequate opportunity for all Members which it determines to be materially affected to express their views. The provisions of paragraph 2(b) shall also be applicable in this case.

4. (a) If a Member in the interest of its economic development or reconstruction considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with any provision of Chapter IV, but would not conflict with any obligation which the Member has assumed through negotiations with any other Member or Members pursuant to Chapter IV, such applicant Member shall so notify the Organization and shall transmit to the Organization a written statement of the considerations in support of the adoption, for a specified period, of the proposed measure.

(b) The Organization shall concur in the proposed measure and grant release from such provision for a specified period if, having particular regard to the applicant Member's need for economic development or reconstruction, it is established that the measure

(i) is designed to protect a branch of industry, established between 1st January, 1939, and the date of signature of the Final Act of the present Charter, which was protected during that period of its development by abnormal conditions arising out of the war; or

(ii) is designed to promote the establishment or development of a branch of industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad; or

(iii) is necessary in view of the possibilities and resources of the applicant Member to promote the establishment or development of a branch of industry for the processing of an indigenous primary commodity, or for the processing of a by-product of such a branch of industry which would otherwise be wasted, in order to achieve a fuller and more economic utilization of the applicant Member's natural resources and man-power and, in the long run, to raise the standard of living within the territory of the applicant Member and is unlikely to have a harmful effect in the long run, on international trade; or
(iv) is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this Charter which could be imposed without undue difficulty and is the one most suitable for the purpose having regard to the economics of the branch of industry or agriculture concerned and to the applicant Member's need for economic development or reconstruction.

Provided that

(i) any proposal by the applicant Member to apply any such measure, with or without modification after the end of the initial period, shall not be subject to the provisions of this sub-paragraph; and

(ii) the Organisation shall not concur in any measure under the provisions of sub-paragraphs (i), (ii) or (iii) which is likely to cause serious prejudice to exports of a primary commodity on which the economy of another Member is largely dependent.

The applicant Member shall apply all measures under this sub-paragraph in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member.

(c) If the proposed measure does not fall within the provisions of sub-paragraph (b),

(i) the Member may enter into direct consultations with the Member or Members which, in its judgment, will be materially affected by the measure, with a view to obtaining agreement. At the same time, the Member shall inform the Organisation of the proposed measure and of the consultations relative thereto in order to afford the Organization an opportunity to determine whether all materially affected Members are included within such consultations. Upon complete or substantial agreement being reached, the Member interested in taking the measure shall apply to the Organisation for release. The Organisation shall promptly examine the application to ascertain whether the interests of all the materially affected Members were duly taken into account. If the Organisation reaches this conclusion,
with or without further consultations between the Members concerned, it shall release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as it may impose; or

(ii) shall initially or may in the event of failure to reach complete or substantial agreement under sub-paragraph (i) above apply to the Organization. The Organization shall promptly transmit the statement submitted by the applicant Member to the Member or Members which are determined by the Organization to be materially affected by the proposed measure. Such Member or Members shall, within the time limits prescribed by the Organization, inform the Organization whether, in the light of the anticipated effects of the proposed measure on the economy of such Member or Members, there is any objection to the proposed measure. If there should be no objection on the part of the affected Member or Members to the proposed measure, the Organization shall immediately free the applicant Member to apply it.

(d) If there be any objection, the Organization shall promptly examine the proposed measure, having regard to the provisions of the Charter, to the considerations presented by the applicant Member and its need for economic development or reconstruction, to the views of the Member or Members determined to be materially affected, and to the effect which the proposed measure, with or without modifications, is likely to have, immediately and in the long run, on international trade, and, in the long run, on the standard of living within the territory of the applicant Member. If, as a result of such examination, the Organization concurs in the proposed measure, with or without modification, it may release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as it may impose.

5. If in anticipation of the concurrence of the Organization in the adoption of a measure referred to in paragraph 4 of this Article, there should be an increase or threatened increase in the importations of the product or products concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the plans of the applicant Member for the establishment, development or reconstruction of the industry, industries or branches of agriculture concerned, and if no preventive measures consistent
with this Charter can be found which seem likely to prove effective, the applicant Member may, after informing, and when practicable consulting with, the Organisation, adopt such other measures as the situation may require pending a decision by the Organisation on the Member's application; Provided that such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date on which the Member's original notification was made.

6. The Organisation and the Members concerned shall preserve the utmost secrecy in respect of matters arising under this Article.

7. In the case of measures referred to in paragraph 4 of this Article, the Organisation shall, at the earliest opportunity but ordinarily within fifteen days after receipt of the statement referred to in paragraph 4(a) or, in the case of measures dealt with in accordance with the provisions of sub-paragraph 4(c)(i) of the application referred to in that sub-paragraph of this Article advise the applicant Member of the date by which it will be notified whether or not it is released from such obligation or obligations as may be relevant. This date shall be the earliest practicable but shall not be more than ninety days subsequent to the receipt of such statement or application; Provided that, if before the date set, unforeseen difficulties arise, the period may be extended after consultation with the applicant Member. If the applicant Member does not receive such decision by the date set, it may after informing the Organisation, institute the proposed measure.
APPENDIX 9

Article 15

Preferential arrangements for Economic Development

1. The Members recognize that special circumstances, including the need for economic development or reconstruction, may justify new preferential agreements between two or more countries in the interest of the programmes of economic development or reconstruction of one or more of them.

2. Any Member or Members contemplating the conclusion of such an agreement shall communicate their intention to the Organization and provide it with the relevant information to enable it to consider the contemplated agreement. The Organization shall promptly communicate such information to all Members.

3. The Organization shall examine the proposal and, subject to such conditions as it deems proper, may, by a two-thirds majority of the Members present and voting, grant an exception to the provisions of Article 16 to permit the proposed arrangements to be made.

4. Notwithstanding the provisions of paragraph 3, the Organization shall permit the necessary departure from the provisions of Article 16, in accordance with the provisions of paragraphs 5 and 6, in respect of a proposed agreement between Members for the establishment of tariff preferences which it determines to fulfill the following conditions and requirements:

(a) the territories of the parties to the agreement shall be contiguous one with another, or all parties shall belong to the same economic region;

(b) any tariff preference provided for in the agreement is necessary to ensure a sound and adequate market for a branch of industry or agriculture which is being or is to be created or reconstructed or substantially developed or substantially modernised;

(c) the parties to the agreement undertake to grant free entry for the product or products of the branch of industry or agriculture referred to in sub-paragraph (b) or to apply to such products custom duties sufficiently low to ensure that the objectives provided for in sub-paragraph (b) shall be achieved;

(d) any compensation granted to the other parties by the party receiving preferential treatment shall, if it is a preferential concession, conform with the provisions of this paragraph;

(e) the agreement contains provisions permitting the adherence of other Members, which are able to qualify as parties to the agreement under the provisions of this paragraph, in the interest of their programmes of economic development or reconstruction on terms and conditions to be
determined by negotiation with the parties to the agreement. The provisions of Chapter VIII may be invoked by such a Member in this respect only on the ground that it has been unjustifiably excluded from participation in such an agreement;

(f) the agreement contains provisions for its termination according to its purposes and within a period necessary for the fulfilment of such purposes, but in any case not more than ten years, provided that any renewal shall be subject to the approval of the Organization and shall not be for periods greater than five years each.

5. When the Organization, upon the application of a Member, approves a margin of preference in accordance with paragraph 6, as an exception to Article 16 in respect of the products covered by the proposed agreement, it may, as a condition of its approval, require a reduction in an unbound most-favoured-nation rate of duty proposed by the Member in respect of any product as covered, if in the light of the representations of any affected Member it considers that rate excessive.

6. (a) If the Organization finds that the contemplated agreement fulfills the conditions set forth in paragraph 4 and that the conclusion of the agreement is not likely to injure substantially the interests of Members not parties to the agreement, it shall within two months authorize the parties to the agreement to depart from the provisions of Article 16 as regards the products covered by the agreement. If the Organization does not give a ruling within the specified period, the authorization of the Organization shall be considered automatically received.

(b) If the Organization finds that the agreement, while fulfilling the conditions set forth in paragraph 4, is likely to cause substantial injury to the external trade of a Member not party to the agreement, the Members contemplating the agreement may enter into negotiations with that Member. When agreement is reached in the negotiations, the Organization shall authorize the Members contemplating the preferential agreement to depart from the provisions of Article 16 as regards the products covered by the preferential agreement. If, within two months from the date on which the Organization suggested such negotiations, the negotiations have failed and the Organization considers that the injured Member is unreasonably preventing the conclusion of the negotiations, it shall permit the necessary departure from the provisions of Article 16 by fixing a fair compensation to be granted by the parties to the agreement to the injured Member or, if this is not possible or reasonable, by ordering such modification of the agreement as will give such Member fair treatment. The provisions of Chapter VIII may be invoked by such Member only if it does not accept the decision of the Organization regarding such compensation.
(c) If the Organization finds that the agreement while fulfilling the conditions set forth in paragraph 4 is likely to jeopardize seriously the economic position of a Member in world trade, it shall not agree to any departure from the provisions of Article 16 unless the parties to the agreement have reached a mutually satisfactory understanding with that Member.

(d) If the Organization finds that the prospective parties to a regional preferential agreement have, before 21st November, 1947, obtained from countries representing at least two-thirds of their import trade, the right to depart from most-favoured-nation treatment in the cases envisaged in the agreement, the Organization shall, without prejudice to the conditions governing such recognition, grant the authorization provided for in paragraph 5 and in sub-paragraph (a) of this paragraph, provided that the conditions set out in sub-paragraphs (c), (e) and (f) of paragraph 4 are fulfilled. Nevertheless, if the Organization finds that the external trade of one or more Members, which have not recognized this right to depart from most-favoured-nation treatment, is threatened with substantial injury, it shall invite the parties to the agreement to enter into negotiations with the injured Member, and the procedure of sub-paragraph (b) above shall apply.

**INTERPRETATIVE NOTES**

**Paragraph 4(a)**

The Organization need not interpret the term "economic region" to require close geographical proximity if it is satisfied that a sufficient degree of economic integration exists between the countries concerned.

**Paragraph 6(d)**

It is understood that the words "have, before 21st November, 1947, obtained from countries representing at least two-thirds of their import trade, the right to depart from most-favoured-nation treatment for the purpose of establishing regional preferences as envisaged in the agreement" cover rights to conclude preferential agreements which may have been recognized in respect of mandated territories which became independent before 21st November, 1947, in so far as these rights have not been specifically denounced before that date.
APPENDIX 10

Text of Article 23 for purposes of illustration (not yet agreed).

Article 23—Exceptions to the rule of non-discrimination

1. (a) The members recognise that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangement set forth in this paragraph.

(b) A member applying restrictions under Article 21 may in the use of such restrictions, deviate from the provisions of Article 22 in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that member may at that time apply under Article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement pursuant to Article 24 paragraph 6.

(c) A member applying restrictions under Article 21 and which was applying import restrictions to safeguard its balance of payments on 15th February 1946 in a manner which deviated from the rules of non-discrimination set forth in Article 22 may, to the extent that such deviation would not have been covered on that date by sub paragraph (b) of this paragraph, continue to deviate and may adapt such deviation to changing circumstances. The Organisation may, if it deems such action necessary in exceptional circumstances, take representations to any member deviating from the provisions of Article 22 pursuant to this sub paragraph, that conditions are favourable for the termination of any particular deviation, or for the general termination of such deviation. The member shall be given a suitable time to reply to such representations. If the organisation thereafter finds that the member persists in unjustifiable deviation from the provisions of Article 22 the member shall, within 60 days limit or terminate such deviations as the organisation may specify.

(d) Any member who was a contracting party to the G.A.T.T. on the 15th February, 1948, and who by written notice addressed to the Secretary-General of the United Nations not later than the 15th March, 1948, declared that it reserved the right of election, may elect when the Charter becomes applicable to it, to be governed by the provisions of Annex AA instead of the provisions of sub-paragraphs (b) and (c) of this paragraph. Annex AA shall not authorise any deviation from the provisions of Article 22 by any members who do not so elect. Sub-paragraphs (a) and (b) of this paragraph shall not be applicable to any member which does so elect.

(e) The policies applied in the use of import restrictions under sub-paragraphs (b) and (c) or pursuant to sub-paragraph (d) and Annex AA of this paragraph in the post war transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance of payments position which will no longer require resort to Article 21.

(f) No member shall deviate from the provisions of Article 22 pursuant to sub paragraphs (b) or (c) of this paragraph or pursuant to sub paragraph (d) and Annex AA except during the post war transitional period arrangement for that member pursuant to Article XIV of the Articles of Agreement of the International Monetary Fund or pursuant to analogous provision of a special exchange agreement under Article 24 paragraph 6.

2. Notwithstanding the termination of the members transitional period arrangement pursuant to sub paragraph 1(e) of this Article, a member which is applying import restrictions under Article 21 may, with the consent of the organisation, temporarily deviate from the principles of Article 22 in respect of a small part of its trade where the benefits to the member or members concerned substantially outweigh any injury which may result to the trade of other members.
3. The provisions of Article 22 shall not preclude restrictions in accordance with Article 21 which are applied against imports from other countries, but not as among themselves, by groups of territories having a common quota in the International Monetary Fund on condition that such restrictions are in all other respects consistent with Article 22.

4. A member applying import restrictions under Article 21 shall not be precluded by this section from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from Article 22.

5. A member shall not be precluded by this section from applying quantitative restrictions (a) having equivalent effect to exchange restrictions authorised under Section 3(b) of Article VII of the articles of agreement of the International Monetary Fund, or (b) under the preferential arrangements provided for in Annex A of this Charter, pending the outcome of the negotiations referred to therein.
1. (a) The Members recognize that when a substantial and widespread disequilibrium prevails in international trade and payments a Member applying restrictions under Article 21 may be able to increase its imports from certain sources without unduly depleting its monetary reserves, if permitted to depart from the provisions of Article 22. The members also recognize the need for close limitation of such departures so as not to handicap achievement of multilateral international trade.

(b) Accordingly, when a substantial and widespread disequilibrium prevails in international trade and payments a Member applying import restrictions under Article 21 may relax such restrictions in a manner which departs from the provisions of Article 22 to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraph 2 of Article 21 if its restrictions were fully consistent with Article 22; provided that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other Members, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the Member taking such action does not do so as part of any arrangement by which the gold or convertible currency which the Member currently receives directly or indirectly from its exports to other Members not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other Member.

(c) Any Member taking action under this paragraph shall observe the principles of sub-paragraph (b) of this paragraph. A Member shall desist from transactions which prove to be inconsistent with that sub-paragraph but the Member shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

(d) Members undertake in framing and carrying out any programmes for additional imports under this paragraph to pay due regard to the need to facilitate the termination of any exchange arrangements which deviate from the obligations of Sections 2, 3 and 4 of Article VIII of the Articles of Agreement of the International Monetary Fund and to the need to restore equilibrium in their balances of payments on a sound and lasting basis.

2. Any Member taking action under paragraph 1 of this Article shall keep the Organisation regularly informed regarding such action and shall provide such available relevant information as the Organisation may request.

3. (a) Not later than 1 March 1952 (five years after the date on which the International Monetary Fund began operations) and in each year thereafter, any Member maintaining or proposing to institute action under paragraph 1 of this Article shall seek the approval of the Organisation, which shall thereupon determine whether the circumstances of the Member justify the maintenance or institution of Action by it under paragraph 1 of this Article. After 1 March 1952 no Member shall maintain or institute such action without determination by the Organisation that the Member's circumstances justify the maintenance or institution of such action, as the case may be, and that subsequent maintenance or institution of such action by the Member shall be subject to any limitations which the Organisation
Organisation may prescribe for the purpose of ensuring compliance with the provisions of paragraph I of this Article; Provided that the Organisation shall not require that prior approval be obtained for individual transactions.

(b) If at any time the Organisation finds that import restrictions are being applied by a Member in a discriminatory manner inconsistent with the exceptions provided for under paragraph I of this Article, the Member shall, within sixty days, remove the discrimination or modify it as specified by the Organisation; Provided that any action under Paragraph I of this Article, to the extent that it has been approved by the Organisation under sub-paragraph (a) of this paragraph or to the extent that it has been approved by the Organisation at the request of a Member under a procedure analogous to that of paragraph 4(c) of Article 21, shall not be open to challenge under this sub-paragraph or under paragraph 4(d) of Article 21 on the ground that it is inconsistent with Article 22.

(c) Not later than 1 March 1950, and in each year thereafter so long as any Members are taking action under paragraph I of this Article, the Organisation shall report on the action still taken by Members under that paragraph. On or about 1 March 1952, and in each year thereafter so long as any Members are taking action under paragraph I of this Article, and at such times thereafter as the Organisation may decide, the Organisation shall review the question of whether there then exists such a substantial and widespread disequilibrium in international trade and payments as to justify resort to paragraph I of this Article by Members. If it appears at any date prior to 1 March 1952 that there has been a substantial and general improvement in international trade and payments, the Organisation may review the situation at that date. If, as a result of any such review, the Organisation determines that no such disequilibrium exists, the provisions of paragraph I of this Article shall be suspended, and all actions authorised thereunder shall cease six months after such determination.

Note: It was understood that a member operating in accordance with the provisions of Article 43.1(b) would not be precluded from operation under this Article.
APPENDIX II

Consequential amendments to the General Agreement on Tariffs and Trade

The General Agreement provides that when the International Trade Organization Charter comes into force, the articles in the General Agreement which correspond to Charter articles shall be superseded unless any of the parties to the General Agreement lodge an objection within sixty days of the end of the Havana Conference, in which case a meeting of the parties to the General Agreement would have to be held to decide how to meet the objection. Some of the countries, however, who took part in the negotiations at Geneva and who have secured at Havana amendments to which they attach importance in the draft Charter, have represented that it would be invidious and embarrassing if they could not say at once that the General Agreement would be amended in conformity. On the assumption that we are prepared to sign the Final Act, there seems to be no advantage in waiting for sixty days before we decide that we will not object to the consequential amendments and accordingly it is desirable that our Delegation at Havana should inform the other Geneva countries that we shall have no objection to raise under the sixty days rule.

2. As stated above, the actual amendments of the General Agreement should, according to its terms, take place when the Charter enters into force. This provision was inserted when it was expected that it would be possible to bring the Charter into force during the course of the year 1948. It now seems highly unlikely that (to take only one case) the Americans will be able to pass the necessary legislation in time. It is proposed, therefore, that the Geneva countries should draw up a protocol of amendment by which particular amendments to the General Agreement would come into force at fixed dates. The only one of importance to us is the amendment to the article relating to non-discrimination. It will be remembered that at Geneva we secured complete freedom under the General Agreement throughout 1948. If the consequential amendment were made before the end of 1948, we should lose this freedom, so that, while we can agree to the principle of fixed dates, we must insist that the new text on non-discrimination does not operate before 1st January, 1949.

3. A further consequence of this will be that we shall lose a provision by which we could have secured complete freedom from non-discrimination rules by a simple majority vote for a further period after 1948. This provision was inserted to cover the fact that we had to apply the General Agreement provisionally before the date of the European Recovery Programme was known. We should, therefore, secure that the protocol agreeing to fixed dates should not be final until the European Recovery Programme legislation has been passed by Congress. We retain, in any case, the power to seek an amendment or suspension of the rules by a two-thirds majority.

4. It should be remembered that a solution of this point is necessary to enable us to solve the difficulty which arises in connection with Section 9 of the Loan Agreement.
CABINET

FORTNIGHTLY ECONOMIC REPORT

NOTE BY THE CHANCELLOR OF THE EXCHEQUER

I circulate a note on the more important statistics relating to the economic situation which have become available since my last Fortnightly Report (C.P. (48) 67).

R. S. C.

Treasury Chambers, S.W. 1,
15th March, 1948.

FORTNIGHTLY ECONOMIC REPORT

I.—Man-Power

A further fall in January in the number of women employed in industry was more than offset by an increase in the number of men.

2. Employment in manufacturing industries, which declined by 12,000 in December, rose by 21,000 in January.

3. Total man-power engaged in building and civil engineering declined in January from 1·36 to 1·34 million (Table 2).

Under-manned industries

4. Most of the under-manned industries secured more workers in January. The number of coal miners on colliery books rose from 718,000 to 721,000 in January and increased further to 722,900 at 6th March. All main divisions of the textile industries recorded increased employment in January (Table 3).

Unemployment

5. The number of insured workers registered as unemployed in Great Britain declined slightly from 318,300 at 12th January to 315,400 at 16th February.

Foreign workers

6. By the end of 1947, 98,225 foreign workers had been placed in employment in Great Britain under official schemes. A further 7,341 were placed in January.

7. In addition, permits were issued outside the official schemes in 1947 to employ 22,965 foreign workers. (18,952 permits were for domestic workers.)

II.—Production

8. The index of total industrial production (1946 = 100) recovered from 115 in December to 121 in January. This was almost 14 per cent. above the volume of production in January 1947. For manufacturing industries as a whole the index was 123 in January (Table 1).
9. Output of deep-mined coal averaged 4 million tons a week in the first fortnight of March and opencast production also increased to 248,000 tons in the second week of March. Total output of coal for the first ten weeks of 1948 was 41.3 million tons which is 998,000 tons or 2.5 per cent. above the target for this period (Table 4).

### Production of deep-mined coal

<table>
<thead>
<tr>
<th>Month</th>
<th>1948 Th. tons</th>
<th>1947 Th. tons</th>
<th>Percentage change</th>
</tr>
</thead>
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<tr>
<td>January</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Weekly average</td>
<td>3,963</td>
<td>3,580</td>
<td>+10.7</td>
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<tr>
<td>February</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st week</td>
<td>3,878</td>
<td>3,408</td>
<td>+13.8</td>
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<tr>
<td>2nd week</td>
<td>3,989</td>
<td>3,681</td>
<td>+8.7</td>
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<td>3,631</td>
<td>+2.4</td>
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<tr>
<td>4th week</td>
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<td>March</td>
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<tr>
<td>2nd week</td>
<td>3,981</td>
<td>3,661</td>
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</tr>
</tbody>
</table>

Steel

10. The output of steel ingots and castings rose further in February to 289,000 tons a week. This is 7.3 per cent. above the weekly average target rate for 1948 (Table 5).

11. Production of pig-iron rose again to 176,000 tons a week in February. Stocks of scrap were maintained in February at 352,000 tons, but stocks of pig-iron declined further from 402,000 to 386,000 tons.

Cotton Spinning

12. Output of cotton yarn rose further in the last week of February to 15.65 million lb. The output of yarn (including cotton waste yarn) at the end of February was nearly 17.3 million lb. which compares with the weekly target rate of 17.31 million lb. for the year 1948 and with the rate of 19.23 million lb. to be reached at the end of the year (Table 5).

III.—Transport

13. During January 1948, 743,000 loaded railway wagons were forwarded in a week compared with 730,000 in January 1947. The increase was mainly due to the rise in coal traffic but in recent weeks there has also been more merchandise traffic on the railways (Tables 6 and 7).

IV.—Food

14. In 1947, consumption of potatoes, bread and fish was higher than before the war; consumption of meat, bacon, fats and shell eggs was lower. Stocks of liquid milk were 52 per cent. higher than in 1939. Imports of citrus fruits were increased in 1947, but they were still less than before the war.

### Total Human Consumption of Certain Foods in the United Kingdom

<table>
<thead>
<tr>
<th></th>
<th>Potatoes</th>
<th>Flour</th>
<th>Meat and bacon</th>
<th>Rationed fats</th>
<th>Citrus fruit</th>
<th>Fresh, frozen and cured fish</th>
<th>Liquid milk sales</th>
<th>Shell eggs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1934-1938 average</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1945...</td>
<td>178</td>
<td>126</td>
<td>81</td>
<td>95</td>
<td>55</td>
<td>80</td>
<td>144</td>
<td>57</td>
</tr>
<tr>
<td>1946...</td>
<td>190</td>
<td>122</td>
<td>79</td>
<td>84</td>
<td>50</td>
<td>116</td>
<td>161</td>
<td>64</td>
</tr>
<tr>
<td>1947...</td>
<td>193</td>
<td>123</td>
<td>74</td>
<td>86</td>
<td>78</td>
<td>125</td>
<td>152</td>
<td>67</td>
</tr>
</tbody>
</table>

(*) Year 1939.
15. Although the value of our exports (f.o.b.) to Western Hemisphere countries was maintained in January at just over £29 million, our imports (c.i.f.) from these countries rose to £64.6 million. The adverse balance of imports over exports increased from £84.1 million in December to £128.5 million in January. There was a favourable balance in countries in the Sterling Area in January and an adverse balance with other countries (Table 5).

<table>
<thead>
<tr>
<th>British Exports (f.o.b.) Less Gross Imports (c.i.f.)</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Hemisphere</td>
<td>Sterling area</td>
</tr>
<tr>
<td>1938 Monthly average</td>
<td>17-8</td>
</tr>
<tr>
<td>1947 January</td>
<td>-37-8</td>
</tr>
<tr>
<td>August</td>
<td>-62-0</td>
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<tr>
<td>December</td>
<td>-41-1</td>
</tr>
<tr>
<td>1948 January</td>
<td>-43-8</td>
</tr>
</tbody>
</table>

VI.—Balance of Payments

16. The drain on reserves was low in the last week of February so that the total drain for the month was £43 million as compared with £57.4 million in January and £48 million in December. In the first week of March, the drain, at £11 million, was no lower than the average for February (Table 9).

17. Seasonal payments for United States cotton in the early part of the year are now completed. On the other hand, purchases of Canadian food have been heavy in recent weeks. Much of this is wheat, still bought at $1.50 per bushel. Belgium took a further amount of gold, over £1 million, in the first week of March. The new Agreement, about to be signed, provides that gold passing as from 1st March will be repurchasable. The quarterly instalment in repayment of the Canadian interest-free loan, due in February, will be made in March; this will add about £9 million to the drain on reserves in the month.

18. The last drawing from the United States credit was made at the beginning of March and the South African loan of £80 million was added to the gold reserves in February. The only replenishment of our reserves of gold and dollars, which we can now count on, is the regular but small purchase of new gold from the Sterling Area (outside South Africa). There remain the possibilities of additional releases from the Canadian credit and of further drawings on International Monetary Fund. The last of the drawings from the Canadian credit, which had been agreed for the first quarter, have now been made. No arrangements have yet been agreed with the Canadians for further releases after the end of March from the outstanding balance of about £60 million. The United Kingdom has drawn £60 million from the International Monetary Fund since September 1947 and the maximum additional drawings which could be made between now and next September to complete our quota are about £20 million. We have in the last few days applied to the Fund for a drawing of £15 million and are awaiting the Fund’s decision.
VII.—Bilateral Negotiations

19. Since my last report, negotiations with Iceland have been concluded: negotiations with Brazil, Belgium, Turkey, S.C.A.P. (Japan) and Mexico are continuing. Those with the Russian Zone of Germany have been adjourned for further examination by both sides of difficulties arising out of the talks. The Yugoslav negotiations for a long-term agreement have failed as the United Kingdom could not agree to Yugoslavia’s demands for assured deliveries of capital goods against her maize supplies: negotiations will shortly be resumed for a short-term agreement without the capital goods and the maize.

20. The principal features of the new agreement with Iceland are that we shall receive in 1948 increased quantities of herring meal for animal feeding and of herring oil and the desired quantities of frozen fish for the 1948–49 winter. United Kingdom will supply 50,000 tons of coal, 2,500 tons of steel and 120 tons of sisal.

21. As regards Belgium, very difficult financial negotiations have just been concluded. Under the new arrangements third country transfers have been reduced to £1 million in each of the three six-monthly periods ending 30th June, 1949, and imports into the sterling area from Belgium may be reduced or postponed immediately. These two provisions should reduce the outflow of gold. The agreement also permits us to repurchase all gold (except certain specific payments) sold to Belgium after 29th February, 1948, as soon as the balance of payments turns in our favour and the total volume of Belgian exports to the United Kingdom has reached £49 million. An Anglo-Belgian Joint Committee will be established to work out the details of the trade arrangements and to keep the whole agreement under review, and will begin operations this week.

VIII.—Prices and Finance

Wholesale Prices

22. The Board of Trade index of wholesale prices rose again in February to 214 (1938 = 100) compared with 209 in January and 201 in December. The rise in February was due mainly to higher prices for eggs, bacon and hams and for wool (Table 10).

Import and Export Prices

23. The index of export prices was unchanged in January at 244 (1938 = 100), but import prices rose from 263 in December to 269.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices of Imports—</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>228</td>
<td>248</td>
<td>263</td>
</tr>
<tr>
<td>Food, drink and tobacco</td>
<td>100</td>
<td>229</td>
<td>241</td>
<td>249</td>
</tr>
<tr>
<td>Raw materials</td>
<td>100</td>
<td>210</td>
<td>232</td>
<td>263</td>
</tr>
<tr>
<td>Articles wholly or mainly manufactured</td>
<td>100</td>
<td>213</td>
<td>230</td>
<td>244</td>
</tr>
<tr>
<td>Prices of Exports—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>212</td>
<td>221</td>
<td>223</td>
</tr>
<tr>
<td>Food, drink and tobacco</td>
<td>100</td>
<td>216</td>
<td>213</td>
<td>283</td>
</tr>
<tr>
<td>Raw materials</td>
<td>100</td>
<td>213</td>
<td>231</td>
<td>244</td>
</tr>
<tr>
<td>Articles wholly or mainly manufactured</td>
<td>100</td>
<td>214</td>
<td>230</td>
<td>244</td>
</tr>
</tbody>
</table>


Prices in the United States

25. After a slight recovery at the beginning of this month, commodity prices in the United States have fallen back again. Moody’s index of staple commodity prices (31st December, 1931 = 100) declined from 414 on 2nd March to 409 on 15th March compared with 430 a year ago. March wheat futures were quoted at $2.49 a bushel.
IX.—Wage Rates

26. During February, agreements were reached or awards given in twelve industries involving wage increases and in two industries involving a reduction of the working week. The principal agreements reached were in the transport industry (railway and London transport).

27. At the end of February there were thirty-eight claims outstanding, including eleven new claims submitted during the month. Of these new claims the most important are those for increases of 13s. and 15s. a week for men in the engineering and shipbuilding industries. If the claims for engineering are granted in full they will affect 1½ million workers and will cost about £50 million a year. Other claims outstanding relate to retail distributive workers employed by Co-operative societies and to workers in furniture manufacture.
### Interim Index of Industrial Production

#### Average 1946 = 100

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Manufacturing industries</th>
<th>Building and contracting(*)</th>
<th>Gas, electricity and water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Mining and quarrying(*)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>89</td>
<td>94</td>
<td>90</td>
</tr>
<tr>
<td>February</td>
<td>95</td>
<td>101</td>
<td>95</td>
</tr>
<tr>
<td>March</td>
<td>97</td>
<td>104</td>
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<td>April</td>
<td>96</td>
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<tr>
<td>May</td>
<td>101</td>
<td>107</td>
<td>102</td>
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<tr>
<td>June</td>
<td>98</td>
<td>99</td>
<td>98</td>
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<tr>
<td>July</td>
<td>96</td>
<td>95</td>
<td>96</td>
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<tr>
<td>August</td>
<td>94</td>
<td>85</td>
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<td>September</td>
<td>106</td>
<td>103</td>
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<td>October</td>
<td>110</td>
<td>107</td>
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<tr>
<td>November</td>
<td>111</td>
<td>107</td>
<td>110</td>
</tr>
<tr>
<td>December</td>
<td>106</td>
<td>101</td>
<td>105</td>
</tr>
<tr>
<td>1947</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>106</td>
<td>102</td>
<td>106</td>
</tr>
<tr>
<td>February</td>
<td>85</td>
<td>96</td>
<td>81</td>
</tr>
<tr>
<td>March</td>
<td>99</td>
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<td>107</td>
</tr>
<tr>
<td>May</td>
<td>110</td>
<td>103</td>
<td>111</td>
</tr>
<tr>
<td>June</td>
<td>116</td>
<td>108</td>
<td>116</td>
</tr>
<tr>
<td>July</td>
<td>108</td>
<td>91</td>
<td>103</td>
</tr>
<tr>
<td>August</td>
<td>105</td>
<td>91</td>
<td>105</td>
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<tr>
<td>September</td>
<td>116</td>
<td>103</td>
<td>117</td>
</tr>
<tr>
<td>October</td>
<td>121</td>
<td>109</td>
<td>121</td>
</tr>
<tr>
<td>November</td>
<td>123</td>
<td>117</td>
<td>122</td>
</tr>
<tr>
<td>December</td>
<td>115</td>
<td>104</td>
<td>114</td>
</tr>
<tr>
<td>1948</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January (provisional)</td>
<td>(121)</td>
<td>(115)</td>
<td>(123)</td>
</tr>
</tbody>
</table>

(1) Total industrial production including supplies and equipment for the Armed Forces.
(2) Adjusted for variations in the number of days (excluding Sundays) in each month. No adjustments have been made for public and other holidays or for seasonal factors.
(3) Open-cast coal production is included in building and contracting.
(4) The provisional figures for this group may be revised as more data become available. The figures for individual months of 1946 are less reliable than those for subsequent months since the data available for 1946 were less complete.
### Table 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing</th>
<th>Engineering</th>
<th>Textiles</th>
<th>Manufacturing</th>
<th>Engineering</th>
<th>Textiles</th>
<th>Total man-power</th>
<th>Operatives(*)</th>
<th>Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>6,815</td>
<td>952</td>
<td>1,002</td>
<td>990</td>
<td>...</td>
<td>225</td>
<td>1,344</td>
<td>978</td>
<td>1,270</td>
</tr>
<tr>
<td>1946</td>
<td>6,587</td>
<td>1,196</td>
<td>713</td>
<td>1,310</td>
<td>336</td>
<td>225</td>
<td>1,344</td>
<td>890</td>
<td>375</td>
</tr>
<tr>
<td>1947</td>
<td>7,101</td>
<td>1,250</td>
<td>783</td>
<td>1,525</td>
<td>381</td>
<td>225</td>
<td>1,344</td>
<td>978</td>
<td>269</td>
</tr>
<tr>
<td>August</td>
<td>7,115</td>
<td>1,256</td>
<td>785</td>
<td>1,588</td>
<td>395</td>
<td>225</td>
<td>1,344</td>
<td>978</td>
<td>269</td>
</tr>
<tr>
<td>September</td>
<td>7,144</td>
<td>1,253</td>
<td>791</td>
<td>1,719</td>
<td>422</td>
<td>277</td>
<td>1,367</td>
<td>1,009</td>
<td>290</td>
</tr>
<tr>
<td>October</td>
<td>7,229</td>
<td>1,277</td>
<td>803</td>
<td>1,838</td>
<td>456</td>
<td>296</td>
<td>1,366</td>
<td>1,004</td>
<td>262</td>
</tr>
<tr>
<td>November</td>
<td>7,283</td>
<td>1,286</td>
<td>811</td>
<td>1,911</td>
<td>489</td>
<td>309</td>
<td>1,356</td>
<td>998</td>
<td>273</td>
</tr>
<tr>
<td>December</td>
<td>7,251</td>
<td>1,288</td>
<td>812</td>
<td>1,942</td>
<td>496</td>
<td>314</td>
<td>1,364</td>
<td>1,002</td>
<td>300</td>
</tr>
<tr>
<td>1948 January</td>
<td>7,272</td>
<td>1,294</td>
<td>819</td>
<td>1,960</td>
<td>502</td>
<td>323</td>
<td>1,343</td>
<td>981</td>
<td>317(*)</td>
</tr>
</tbody>
</table>

(*) Great Britain.
(*) Male operatives 16 years and over.
(*) 315,400 at 16th February.

### Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Coal industry (wage-earners on colliery books)</th>
<th>Pig iron</th>
<th>Tinplate and sheet steel</th>
<th>Iron foundries (other than engineering)</th>
<th>Textiles—</th>
<th>Pottery</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>910</td>
<td>735</td>
<td>15</td>
<td>98</td>
<td>735</td>
<td>344</td>
<td>68</td>
</tr>
<tr>
<td>1946</td>
<td>1,048</td>
<td>899</td>
<td>17</td>
<td>14</td>
<td>899</td>
<td>247</td>
<td>57</td>
</tr>
<tr>
<td>1947</td>
<td>1,055</td>
<td>1,045</td>
<td>17</td>
<td>15</td>
<td>1,055</td>
<td>259</td>
<td>65</td>
</tr>
<tr>
<td>1948</td>
<td>1,055</td>
<td>1,054</td>
<td>17</td>
<td>15</td>
<td>1,055</td>
<td>263</td>
<td>68</td>
</tr>
</tbody>
</table>

(*) Great Britain.
(*) 322,900 at 6th March, 1948.
## Table 4

| Year   | Month    | Deep-mined | Open-cast | Total | End of period | Weekly averages | End of period | Weekly averages |
|--------|----------|------------|-----------|-------|--------------|----------------|--------------|----------------|----------------|
| 1946   | October  | 3,857      | 161       | 5,459 | 2,138        | 7,784          | 1,910        | 2,840          |
|        | November | 3,785      | 135       | 5,140 | 1,735        | 7,575          | 1,870        | 2,705          |
|        | December | 3,511*     | 118*      | 4,629 | 1,531        | 7,160          | 1,760        | 2,520          |
| 1947   | January  | 3,580      | 127       | 4,757 | 1,525        | 7,314          | 1,745        | 2,660          |
|        | February | 3,629      | 145       | 5,054 | 1,521        | 7,688          | 1,806        | 2,708          |
|        | March    | 3,759*     | 135*      | 5,114 | 1,514        | 7,668          | 1,854        | 2,760          |
| April  |          | 3,489      | 185       | 5,374 | 1,503        | 7,964          | 1,878        | 2,812          |
| May    |          | 3,581*     | 100*      | 4,581 | 1,490        | 7,162          | 1,790        | 2,670          |
| June   |          | 3,624*     | 95*       | 4,579 | 1,485        | 7,264          | 1,800        | 2,690          |
| July   |          | 3,112      | 93        | 3,925 | 1,476        | 6,847          | 1,690        | 2,560          |
| August |          | 3,143      | 96        | 3,989 | 1,475        | 6,932          | 1,690        | 2,570          |
| September | 3,551*    | 111*     | 4,662 | 1,489        | 7,243          | 1,800        | 2,600          |
| October|          | 3,774      | 97        | 4,741 | 1,478        | 7,519          | 1,820        | 2,700          |
| November| 4,944     | 101        | 5,885 | 1,490        | 7,375          | 1,800        | 2,680          |
| December| 3,697*    | 125*    | 4,922 | 1,490        | 7,417          | 1,800        | 2,690          |
| 1948   | January  | 3,983      | 147       | 5,430 | 1,513        | 7,413          | 1,800        | 2,690          |
| February| 3,916     | 185       | 5,791 | 1,513        | 7,606          | 1,806        | 2,706          |
| Week ended—February 7 | 3,878 | 157 | 5,435 | 1,500        | 7,385          | 1,790        | 2,670          |
|        | 14       | 3,989     | 178       | 5,767 | 1,513        | 7,696          | 1,806        | 2,706          |
|        | 21       | 3,924     | 196       | 5,820 | 1,513        | 7,634          | 1,800        | 2,690          |
|        | 28       | 3,891     | 204       | 5,735 | 1,513        | 7,549          | 1,790        | 2,670          |
| March 6 | 4,031   | 239       | 5,870 | 1,513        | 7,689          | 1,806        | 2,706          |
| March 13 | 3,981 | 248 | 5,828 | 1,513        | 7,634          | 1,800        | 2,690          |

* Average of five weeks.

## Table 5

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Steel ingots and castings</th>
<th>Steel sheets</th>
<th>Pig iron</th>
<th>Fig iron</th>
<th>Scrap</th>
<th>Cotton yarn</th>
<th>Employment in cotton spinning(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Production Stock</td>
<td>Production Stock</td>
<td>Production Stock</td>
<td>Production Stock</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Weekly averages End of period Weekly averages End of period</td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thousand tons</td>
<td>Thousand tons</td>
<td>Million lb.</td>
<td>Thousands</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946</td>
<td>October</td>
<td>254*</td>
<td>25-2*</td>
<td>156*</td>
<td>912</td>
<td>687</td>
<td>14-10*</td>
<td>88-2*</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>224</td>
<td>24-3</td>
<td>146</td>
<td>886</td>
<td>658</td>
<td>14-11*</td>
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</tr>
<tr>
<td></td>
<td>December</td>
<td>236</td>
<td>21-6</td>
<td>153</td>
<td>856</td>
<td>616</td>
<td>14-24*</td>
<td>89-0</td>
</tr>
<tr>
<td>1947</td>
<td>January</td>
<td>240*</td>
<td>26-5*</td>
<td>156*</td>
<td>844</td>
<td>569</td>
<td>12-71*</td>
<td>89-1</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>206</td>
<td>21-4</td>
<td>126</td>
<td>814</td>
<td>534</td>
<td>12-63*</td>
<td>88-5</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>196</td>
<td>22-7</td>
<td>123</td>
<td>784</td>
<td>531</td>
<td>12-89*</td>
<td>87-7</td>
</tr>
<tr>
<td>April</td>
<td></td>
<td>236*</td>
<td>26-3*</td>
<td>139*</td>
<td>676</td>
<td>502</td>
<td>12-94*</td>
<td>91-1</td>
</tr>
<tr>
<td>May</td>
<td></td>
<td>244</td>
<td>25-8</td>
<td>142</td>
<td>656</td>
<td>503</td>
<td>13-55*</td>
<td>92-3</td>
</tr>
<tr>
<td>June</td>
<td></td>
<td>254</td>
<td>27-3</td>
<td>144</td>
<td>611</td>
<td>484</td>
<td>12-56*</td>
<td>93-9</td>
</tr>
<tr>
<td>July</td>
<td></td>
<td>274</td>
<td>28-6</td>
<td>143*</td>
<td>604</td>
<td>473</td>
<td>12-97*</td>
<td>94-8</td>
</tr>
<tr>
<td>August</td>
<td></td>
<td>244</td>
<td>19-8</td>
<td>147</td>
<td>578</td>
<td>468</td>
<td>12-80*</td>
<td>94-2</td>
</tr>
<tr>
<td>September</td>
<td>286</td>
<td>24-6</td>
<td>150</td>
<td>522</td>
<td>419</td>
<td>12-94*</td>
<td>90-6</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td></td>
<td>278</td>
<td>26-6*</td>
<td>161*</td>
<td>474</td>
<td>379</td>
<td>14-40*</td>
<td>94-0</td>
</tr>
<tr>
<td>November</td>
<td>273</td>
<td>27-6</td>
<td>166</td>
<td>451</td>
<td>383</td>
<td>14-80*</td>
<td>95-0</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>243*</td>
<td>25-8</td>
<td>165*</td>
<td>452</td>
<td>373</td>
<td>13-48*</td>
<td>99-0</td>
<td></td>
</tr>
<tr>
<td>1948</td>
<td>January</td>
<td>281</td>
<td>27-3</td>
<td>168</td>
<td>417</td>
<td>354</td>
<td>14-60*</td>
<td>95-8</td>
</tr>
<tr>
<td>February</td>
<td>289</td>
<td>176</td>
<td>386</td>
<td>352</td>
<td>15-36*</td>
<td>97-83</td>
<td>99-1</td>
<td></td>
</tr>
<tr>
<td>Week ended—February 7</td>
<td>289</td>
<td>174</td>
<td>406</td>
<td>351</td>
<td>15-36*</td>
<td>97-83</td>
<td>99-1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>289</td>
<td>177</td>
<td>402</td>
<td>348</td>
<td>15-68*</td>
<td>95-12</td>
<td></td>
</tr>
<tr>
<td></td>
<td>21</td>
<td>291</td>
<td>177</td>
<td>393</td>
<td>346</td>
<td>15-66*</td>
<td>95-0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>289</td>
<td>176</td>
<td>386</td>
<td>352</td>
<td>15-65*</td>
<td>95-0</td>
<td></td>
</tr>
</tbody>
</table>

(1) Number actually at work on cotton and spun rayon. Cotton Board figures.
* Average of five weeks.
Table 6

<table>
<thead>
<tr>
<th>Wagon</th>
<th>Locomotive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repaired(1)</td>
<td>Operating stock</td>
</tr>
<tr>
<td>Thousands</td>
<td>End of period: Number</td>
</tr>
</tbody>
</table>

- **Four weeks ended**
  - 1946 November 2
  - November 30
  - December 28
  - 1947 January 25
  - February 22
  - March 22
  - April 19
  - May 17
  - June 14
  - July 12
  - August 9
  - September 6
  - October 4
  - November 1
  - November 28
  - December 27
  - 1948 January 24
  - February 21

**Week ended**
- January 3
- January 10
- January 17
- January 24
- January 31
- February 7
- February 14
- February 21
- February 28

**Average of five weeks.**

---

Table 7

**Wagons forwarded loaded and estimated average turn-round times**

<table>
<thead>
<tr>
<th>Wagon</th>
<th>Estimated average turn-round times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Coal</td>
</tr>
<tr>
<td>Weekly averages: Thousands</td>
<td></td>
</tr>
</tbody>
</table>

- 1946
  - *October*...
  - November...
  - *December*...

- 1947
  - January...
  - February...
  - March...

- *April*...
  - May...
  - June...

- *July*...
  - August...
  - *September*...

- October...
  - November...
  - *December*...

- 1948
  - January...

**Week ended**
- January 2
- January 9
- January 16
- January 23
- January 30
- February 6

* Average of five weeks.
### Exports and imports of the United Kingdom

**Table 8**

<table>
<thead>
<tr>
<th></th>
<th>Exports of United Kingdom produce</th>
<th>Imports (f.i.t.)</th>
<th>Volume index 1938 = 100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>To Western Hemisphere</td>
<td>To sterling area</td>
</tr>
<tr>
<td></td>
<td>£ million</td>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td>1946 October</td>
<td>91.4</td>
<td>16.9</td>
<td>44.2</td>
</tr>
<tr>
<td>November</td>
<td>91.6</td>
<td>15.3</td>
<td>43.9</td>
</tr>
<tr>
<td>December</td>
<td>89.6</td>
<td>14.0</td>
<td>37.8</td>
</tr>
<tr>
<td>1947 January</td>
<td>91.2</td>
<td>14.5</td>
<td>44.6</td>
</tr>
<tr>
<td>February</td>
<td>76.0</td>
<td>12.4</td>
<td>37.8</td>
</tr>
<tr>
<td>March</td>
<td>82.6</td>
<td>13.8</td>
<td>40.7</td>
</tr>
<tr>
<td>April</td>
<td>82.7</td>
<td>13.4</td>
<td>40.0</td>
</tr>
<tr>
<td>May</td>
<td>89.7</td>
<td>16.4</td>
<td>42.5</td>
</tr>
<tr>
<td>June</td>
<td>83.1</td>
<td>14.9</td>
<td>48.0</td>
</tr>
<tr>
<td>July</td>
<td>110.3</td>
<td>17.7</td>
<td>54.2</td>
</tr>
<tr>
<td>August</td>
<td>63.6</td>
<td>16.7</td>
<td>48.1</td>
</tr>
<tr>
<td>September</td>
<td>59.0</td>
<td>16.1</td>
<td>51.4</td>
</tr>
<tr>
<td>October</td>
<td>108.2</td>
<td>17.2</td>
<td>55.1</td>
</tr>
<tr>
<td>November</td>
<td>102.3</td>
<td>17.2</td>
<td>53.9</td>
</tr>
<tr>
<td>December</td>
<td>110.2</td>
<td>20.3</td>
<td>56.2</td>
</tr>
<tr>
<td>1948 January</td>
<td>119.5</td>
<td>20.8</td>
<td>62.2</td>
</tr>
</tbody>
</table>

* (*) Of United Kingdom produce.
  (2) Average for the quarter: 117.

### Reserves and liabilities

**Table 9**

<table>
<thead>
<tr>
<th></th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ million</td>
</tr>
<tr>
<td></td>
<td>£ million</td>
</tr>
<tr>
<td></td>
<td>£ million</td>
</tr>
<tr>
<td></td>
<td>£ million</td>
</tr>
<tr>
<td></td>
<td>£ million</td>
</tr>
<tr>
<td>1946 June</td>
<td>1,742.6(1)</td>
</tr>
<tr>
<td>October</td>
<td>1,687.2</td>
</tr>
<tr>
<td>November</td>
<td>1,659.9</td>
</tr>
<tr>
<td>December</td>
<td>1,621.6</td>
</tr>
<tr>
<td>1947 March</td>
<td>1,385.4</td>
</tr>
<tr>
<td>June</td>
<td>1,153.5</td>
</tr>
<tr>
<td>August</td>
<td>864.7</td>
</tr>
<tr>
<td>September</td>
<td>786.8</td>
</tr>
<tr>
<td>October</td>
<td>746.8</td>
</tr>
<tr>
<td>November</td>
<td>705.5</td>
</tr>
<tr>
<td>December</td>
<td>657.2</td>
</tr>
<tr>
<td>1948 January</td>
<td>596.9</td>
</tr>
<tr>
<td>February</td>
<td>657.1</td>
</tr>
<tr>
<td>March</td>
<td>626.2</td>
</tr>
</tbody>
</table>

* Excluding loans to and by His Majesty's Government and holdings to the International Bank and Monetary Fund.
* Western Hemisphere, Sweden, Switzerland, Belgium and Portugal.
* Including Egypt.
* Revised.
* Provisional.
## Table 10

<table>
<thead>
<tr>
<th></th>
<th>United States prices</th>
<th>Currency circulation(\textsuperscript{2})</th>
<th>Yield on 2% Consols</th>
<th>Small savings(\textsuperscript{3})</th>
<th>Weekly averages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Index of wholesale prices</td>
<td>Index of wholesale prices of farm products</td>
<td>Price of wheat, Kansas City</td>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td></td>
<td>1938 = 100</td>
<td>1938/39 = 100</td>
<td>June 17, 1947 = 100</td>
<td>1938 = 100</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>January</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>June</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>July</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>August</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>September</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>October</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>November</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>December</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td></td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
<tr>
<td>January</td>
<td>1938</td>
<td>1939</td>
<td>1947</td>
<td>1938</td>
<td>$ a bushel</td>
</tr>
</tbody>
</table>

\textsuperscript{1} Exports of United Kingdom produce.

\textsuperscript{2} Average estimated circulation with the public.

\textsuperscript{3} Net proceeds from National Savings Certificates, Defence Bonds and Post Office and Trustee Savings Bank. Excluding repayments of maturing Defence Bonds.

## Table 11

<table>
<thead>
<tr>
<th></th>
<th>All industries</th>
<th>Agriculture</th>
<th>Mining and quarrying</th>
<th>Chemical, brick, pottery, &amp;c.</th>
<th>Engineering, shipbuilding and other metal industries</th>
<th>Textiles</th>
<th>Clothing</th>
<th>Other manufacturing industries</th>
<th>Building, civil engineering, and electrical installation</th>
<th>Transport</th>
<th>Public utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939 September</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
</tr>
<tr>
<td>1940 March</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td>1941 June</td>
<td>97</td>
<td>97</td>
<td>97</td>
<td>97</td>
<td>97</td>
<td>97</td>
<td>97</td>
<td>97</td>
<td>97</td>
<td>97</td>
<td>97</td>
</tr>
</tbody>
</table>

\textsuperscript{4} Based on rates at the end of the month.
CABINET

PAPER FOR A FASCIST PERIODICAL.

MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE

AT their meeting on 24th July, 1947 (C.M. (47) 64th Conclusions, Minute 5), the Cabinet considered the question of supplies of paper for the Mosley periodical Action; they agreed to "adjourn consideration of the question whether the President of the Board of Trade should grant the application of the proprietors of Action for a supply of paper." It was not apparently the intention of the Cabinet to discuss this matter further unless there was some new development. The Board of Trade have dealt with the matter by leaving all applications and letters unanswered.

2. As has been previously pointed out, this or any other periodical first published before 16th August, 1940, can be printed and published now, although the publishers must restrict consumption to (at present) 40 per cent. of pre-war consumption. In accordance with the Cabinet's decision no paper has been licensed for this journal but there are certain stocks held by printers and merchants for the supply of which no licence is required. The publishers of Action have apparently purchased paper from such sources (as it was expected they might do) and have now republished the journal under the title Union incorporating Action. In the first issue they referred to the fact that the Board of Trade have withheld any licence for the supply of paper to them, as a result of which a number of people have written to their Member of Parliament suggesting that this is unfair discrimination and asking them to take the matter up with me.

3. I propose to reply to all such letters (and if necessary in the House) that while we have not prevented the appearance of this publication, and would not use paper control as a method of imposing censorship, we are not prepared to issue a licence permitting paper producers to supply paper for the purpose. I invite the concurrence of the Cabinet to this course of action.

H. W.

Board of Trade, S.W. 1,
16th March, 1948.
In connection with the memorandum by the Minister of Defence (C.P. (48) 77) my colleagues may wish to have from me a note as to the operative arrangements for the provision of houses by Government Departments, including the provision of married quarters by the Service Departments.

2. Such provision has to come out of the labour force for housing and proposals have, therefore, to be considered as a part of and in relation to the general housing programme, including the provision of houses for miners and agricultural workers.

An Inter-Departmental Committee has for some time been in existence for this purpose, presided over by an officer of my Department and attended by representatives of all Government Departments interested in the building of houses.

3. To this Committee are submitted the house-building programmes of the various Departments. The time at which a proposal can start in a particular district and the rate at which it can proceed depends on the volume of building work already in hand in the area. My Department examine this question locally in relation to particular building proposals for which the individual Department are in fact ready to go to contract during the quarter immediately ahead, and every endeavour is made, within the limits of the building resources available in the particular area, to enable a start to be made, but in a certain number of cases the building programme is still so overloaded that a start with any new proposals has had to be deferred.

At the last meeting the results to the Service Departments were:

<table>
<thead>
<tr>
<th>Department</th>
<th>Start authorised</th>
<th>Deferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Ministry</td>
<td>206</td>
<td>120</td>
</tr>
<tr>
<td>Admiralty</td>
<td>50</td>
<td>Nil</td>
</tr>
<tr>
<td>War Office</td>
<td>185</td>
<td>44</td>
</tr>
</tbody>
</table>

Consideration of cases deferred will be resumed next quarter in the light of the progress made with building in the area in the meantime.
4. Practical building progress must depend not on global allocations but on building resources available in the area. Proposals which are included in the approved programmes of Government Departments are treated for the purposes of the Committee as having equal priority, and (unless the Cabinet should decide that the provision for the Services is to have a higher priority than the provision for other Departments including atomic energy for the Ministry of Supply, houses for the police, for the Forestry Commission and for the general housing programme including miners and agricultural workers), I suggest that the existing machinery provides the most effective way of giving the maximum assistance within the limits of the building resources available.

A.B.

Ministry of Health, S.W.1.
16th March, 1948.
CONFIDENTIAL
C.P. (46) 85
16TH MARCH, 1946

CABINET

EFFECT OF THE LOCAL GOVERNMENT BILL ON PARLIAMENTARY PROCEDURE

Memorandum by the Chancellor of the Exchequer

When the new Local Government Bill becomes law, it will have an effect upon Parliamentary procedure which will affect a number of Bills now before Parliament and therefore requires urgent consideration.

2. As my colleagues know, the Bill provides a new system of "equalisation" grants in lieu of the present block grant. Under this new system grants are to be made to local authorities whose rateable values per head of population fall below the average. The amount of the grant in each case turns on two factors:

(a) the amount by which the rateable value in the area of the authority falls below the average; and

(b) the expenditure of the local authority or local authorities concerned.

In effect, the Exchequer pays rates on imaginary property of a rateable value equal to the difference between the rateable value of the particular authority and the average rateable value. Under the old Block grant, new expenditure by a local authority only affected the amount of the grant to the extent that the total grant in the next quinquennium would be related to the total expenditure of all authorities. Under the new scheme, new expenditure by an authority is to have an immediate effect on the grant to that authority.

3. A consequence of this is that when in the course of the next few days the Local Government Bill becomes law, a Financial Resolution will be required to support any Bill which affects rateable values up or down, and any Bill which actually or potentially increases expenditure of a local authority as to which it is not expressly declared that it is not to count for grant. The House authorities having taken the view that the Bill and the existing rules of procedure have this combined effect, we cannot question it, though we can, of course, if we so desire, ask the House to amend the rules of procedure.

4. The immediate problem for consideration is the regularisation of the position of Bills now before Parliament, but before considering this transitional problem, it would be well to clear our minds as to what the future position is to be. So far as Public Bills are concerned, I see no
reason why those introduced after the Local Government Bill became law should not, if they affect rateable values up or down or authorise an increased charge on the rates, have to be covered by a Financial Resolution authorising any consequential increase in "equalisation" grant, just as a Bill which authorises an increased charge on the rates which would attract, say, education grant had to be covered by a Financial Resolution. This would also have the consequence that an amendment affecting rateable values or authorising an increased charge on the rates could not be moved to a Bill unless the Bill was supported by a Financial Resolution which covered the proposal contained in the amendment.

5. When we come to Private Bills, the position is not so simple. The combination of Private Bill and Financial Resolution, though not technically impossible, is so awkward that the probable practical effect of requiring any class of Private Bill to be supported by a Financial Resolution would be to kill that class of Bill altogether. No harm would, I think, be done if it were made impossible to affect rateable values by Private Bill, but the position as regards rate-borne expenditure is more difficult.

6. Municipal Corporations have a considerable fondness for gathering together all their spending powers in Private Bills of formidable dimensions, the clauses of which are largely in common form, and the Parliamentary Agents naturally do not discourage them. To make all this impossible, or at any rate very difficult, by requiring Private Bills authorising rate-borne expenditure to be supported by Financial Resolutions would create a considerable hue and cry, as well as fortifying the suspicions of those who see sinister intentions, or at any rate possibilities, of control in Clause 6 of the Local Government Bill, which enables the Minister to adjust equalisation grant in respect of excessive or unreasonable local expenditure.

7. On the other hand Local Authorities should not in my view be handed a blank cheque in the form of excusing Private Bill legislation from the requirement of a Financial Resolution without a more alternative safeguard. Such a safeguard might be found in a Standing Order that it be an instruction to all Committees that, if so required on behalf of the Crown, they shall not pass a clause authorising an increased charge on local rates without adding a proviso that expenditure thereunder shall be excluded in calculating expenditure on which equalisation grant is payable. The effect of this would be that any local authority proposing to take novel spending powers by Private Bill would have to take soundings of the Ministry of Health, and would probably omit any clause to which they were told that the proviso would be required.

8. Such an arrangement would, however, be inapplicable to Scottish Private Bill Legislation, which originates in a provisional order under the Private Legislation Procedure (Scotland) Act, 1956. Normally the order, where necessary after enquiry before commissioners, is made by the Secretary of State and scheduled to a confirming Bill which is deemed to be a Public Bill but to have passed through all stages up to and including Committee. This form of procedure is not confined to Scotland. The Statutory Orders (Special

---
Procedure) Act, 1945, lays down a somewhat similar procedure for the confirmation of certain orders which the Minister thinks it expedient to confirm by Bill. The position as regards these confirming Bills requires further consideration. It may be that we shall reach the conclusion that such Bills cannot be left, like other Public Bills, to the operation of the normal rules of procedure. This, however, is a point of relative detail that we need not specify at once.

9. Turning now to the transitional position, I am advised that a resolution is required to regularise the position of Bills (Public and Private) now before Parliament which impose charges on the rates and are either unsupported by Financial Resolutions or supported by Resolutions not authorising consequential increases of equalisation grant. There are a number of Public Bills in this latter category. Alternative drafts of the necessary Resolution are appended. In moving the Resolution, the Government spokesman should, I think, explain that while the position will be further explored before next session, the Government do not, at present advised, contemplate asking the House to amend the existing rules of procedure under which Bills affecting rateable value up or down, and Public Bills authorising rate-borne expenditure, will have to be supported by Financial Resolutions covering the consequential charge on the Exchequer via the equalisation grant; but they in the case of private legislation authorising rate-borne expenditure they contemplate that some modification in the rules of procedure may be required.

R.S.C.

Treasury Chambers, S.W. 1.,
16th March, 1948.
ANNEX

Draft Resolution to be moved by the Prime Minister
[King's Recommendation to be signified]: -

FIRST ALTERNATIVE version - applicable if Resolution passed before Bill becomes law

Procedure of the House (Exchequer equalisation grants) -

That during the present Session the Standing Orders and practice of this House relating to provisions embodying charges upon the public revenue shall not, in the event of Part I or Part II of the Local Government Bill becoming law, be deemed to apply to any provision of any Bill (whether public or private) which affects the rateable value of any hereditament in England or Wales or of any lands and heritages in Scotland or authorises any expenditure by a local authority in England or Wales or in Scotland, by reason only that that provision operates or may operate to increase the amount of any Exchequer Equalisation Grant under the said Part I or the said Part II.

SECOND ALTERNATIVE version - applicable if Resolution passed after Bill has become law

That during the present Session the Standing Orders and practice of this House relating to provisions embodying charges upon the public revenue shall not be deemed to apply to any provision of any Bill (whether public or private) which affects the rateable value of any hereditament in England or Wales or of any lands and heritages in Scotland or authorises any expenditure by a local authority in England or Wales or in Scotland, by reason only that that provision operates or may operate to increase the amount of any Exchequer Equalisation Grant under Part I or Part II of the Local Government Act, 1948.
C.P. (48) 89
18th March, 1943.

CABINET

THE REPORT OF THE RUSSELL VICK COMMITTEE ON THE BLACK MARKET IN PETROL

Memorandum by the Minister of Fuel and Power

I informed the Cabinet in C.P. (48) 16 that I was setting up a Committee to enquire into black market dealings in petrol. The Committee, who will report in the next few days, have informed me in advance of their findings and recommendations, and these are summarised in the Annex to this Paper.

2. No-one will, I think, dispute the Committee's view that the black market draws its main supplies from petrol issued for goods vehicles, that its extent is serious and that it can only be stopped by preventing the transfer of the petrol to private motorists. Accordingly, in view of the fact that petrol rationing seems certain to continue for some years, I propose that we should accept their main recommendation that colour and a chemical should be added to commercial petrol, so as to make it clearly distinguishable from other petrol.

3. We cannot afford to wait until the second of the two chemicals mentioned by the Committee becomes available, and I would therefore propose, if the Cabinet approve, to discuss immediately with the Petroleum Board how and in what minimum time the recommendations for the addition of colour and one chemical can be put into effect. The Committee themselves believe that this can be done - on the evidence submitted to them - in 6-8 weeks.

4. On the other hand I am very doubtful whether we should adopt the proposal for further legislation regarding the penalties to be imposed on those convicted of black market activities. Such legislation would no doubt be highly controversial and I do not think we should contemplate introducing it until we are certain that it is essential. I should hope that the deterrent effect of distinguishing one type of petrol from the other (supported by propaganda to arouse public opinion against the black market) may be sufficient to check malpractices, and I would propose therefore for the time being to proceed under Defence Regulations and to leave it to the Courts to punish misuse of petrol with the penalties prescribed by those Regulations. It is also possible to arrange by administrative action for petrol supplies to be cut off or reduced where a motorist or garage proprietor has been convicted of black market dealings, though "second penalties" of this kind should in my view only be imposed in flagrant and absolutely clear cases, and on the personal decision of the Minister.
5. Nor do I think that it would be wise to adopt the recommendation of the Committee in regard to the keeping of coupon record sheets. This is designed to assist enforcement rather than to act as a deterrent, and until it is found that the deterrents are not sufficiently effective, I would not wish to impose on motorists and garage proprietors obligations which experience has led us to believe will be largely ignored. The obligation to keep the records can be placed on motorists at a later date if it is found to be necessary.

6. I would like to have the Cabinet's approval for these proposals so that the details may be worked out as soon as possible and an announcement of the Government's decisions made when the Report is published after Easter.

K.T.N.G.

Ministry of Fuel and Power, S.W.1.
16th March, 1943.
1. The black market in petrol is extensive and widespread. It consists of a large number of small transactions in which many thousands participate, rather than in the operations of a few large racketeers. It is difficult to estimate the volume of petrol bought and sold illegally, but the Committee guess that in 1947 it may have amounted to 150,000 tons, i.e. 3% of the total petrol consumed and a little over 10% of the total consumed in private cars. Even so, there was an excess of coupons issued over petrol supplied amounting to no less than 390,000 tons. Thus the potential supply to the black market was very much higher than the actual volume of petrol thought to have been sold there.

2. Petrol finds its way into the black market mainly from goods vehicle operators and to a less extent from farmers. Both these classes of consumers have needs which have got to be met and which cannot be precisely estimated. It frequently happens, therefore, that they are issued with more coupons than they require.

3. The demand for black market petrol comes from private motorists who do not get as large a ration as they would like, and have lost respect for the law (partly because of inevitable weaknesses in its administration and enforcement) and are prepared to evade the regulations freely.

4. The solution to the problem can only be found by devising a means whereby those who have surplus petrol cannot make it available to those who want it.

5. As a deterrent against illegal transfers the distinctive colouring of petrol is likely to exercise a powerful effect. But the colouring of "commercial" petrol will not alone prove effective, chiefly because all known colours can be fairly easily removed. It is therefore necessary, in addition to dyeing the petrol, to add chemicals, which are much more difficult to remove.

6. Since it would offend against the principles of jurisprudence to prosecute a motorist for having in his tank a substance the nature of which had been concealed from him, the nature of the chemical on the presence of which any proceedings would have to be based must be revealed.

7. Ideally two chemicals should be added. The nature of one of those, 'Z', which would be very difficult indeed to eliminate, would be revealed and used as the basis of proceedings, while the other, 'F', would be kept secret and used for detection purposes. However, adequate supplies of 'Z' will unfortunately not be available for two years and the only known alternative is a dollar product. Therefore a second best plan may have to be adopted consisting of the addition of a dye plus the chemical 'F' whose nature will, of course, have to be revealed. 'F' will give a visible reaction to a simple chemical test which could be carried out by a policeman at the roadside and cannot be removed at all easily. Both the dye and the chemical should be added at the Petroleum Board's distribution depots to all consignments of petrol supplied against commercial coupons. The cost of the dye and the chemical 'F' is estimated at £25,000 per annum.
8. The present penalties for block market dealings are not adequate to deter either motorists or garage proprietors. The Committee recommend, with the support of the Motor Agents' Association and the motoring organisations that—

(a) a garage proprietor who is found to have commercial petrol in a private pump should be deprived of all petrol for twelve months;

(b) a garage proprietor who supplies a private motorist with commercial petrol from a commercial pump should be deprived of commercial petrol for twelve months, though it would be a defence to prove that he took all reasonable steps to prevent the occurrence and did not know of it;

(c) the owner of a private car, whether present or not, and the driver and person in charge of a car at the time of the offence should have their driving licences suspended for twelve months if commercial petrol is found in the car;

(d) the registration book of a private car which is found to have commercial petrol should be endorsed and no petrol allowance issued for the car for twelve months, whether it is in the same ownership or not.

9. Legislation should be introduced to make possible the imposition of these penalties by the Courts.

10. In order to assist the Police in finding garages where illegal dealings are taking place, and the motorist in showing that he came by any commercial petrol legitimately, all motorists should be required to keep a coupon-record sheet, shewing how their coupons have been used and obtaining the signature of the supplier of petrol at the time of purchase. In making this recommendation the Committee also have the support of the Motor Agents' Association and the motoring organisations.

11. The Committee have discussed the problem with the Chief Constables' Conference who think that a scheme on the lines of that recommended by the Committee would have public respect and be capable of proper enforcement.
TOP SECRET

C.P.(48) 90

18TH MARCH, 1948

CABINET

PETROL RATIONING:

Memorandum by the Minister of Fuel and Power

In C.P.(48) 16 which was discussed by the Cabinet on 15th January (C.M.(48) 4th Conclusions, Minute 1), I expressed the view that, despite the great administrative difficulties involved in the present rationing system and the powerful political case for restoring some basic ration, this step could not be taken until the dollar position was clearer and the black market had been dealt with. I also informed the Cabinet of the enquiries I was instituting into the black market on the one hand and the system of supplementary allowances on the other and promised to report again by the end of March.

2. Since then, the administrative difficulties have in no way diminished. Though the arrears of work which piled up last autumn have been overtaken, there is still much public criticism of the anomalies inevitably associated with the issue of individual supplementary allowances for 1£ million vehicles.

3. Moreover, the effective enforcement of the rule that petrol may only be used for specific purposes has proved quite impossible. It is easy to find excuses by which the rule can be evaded, and in the limited number of cases where proceedings have been taken, the penalties have been much too light to produce any deterrent effect. Thus the law and its administration are being brought into disrepute. The citizen who has laid up his car feels indignant not only on account of the inconvenience, but because he believes other people are getting away with it, while decent minded motorists with cars on the road who wish to observe the law are continually irritated because of the restrictions nominally imposed upon them, and continually ignored by many of their fellows.

4. I must emphasise that this situation is due in no way to any failure on the part of the police, who have done their best in most difficult circumstances, but is largely inherent in the attempt to ensure in peacetime and without a vast increase in enforcement staffs that no petrol whatever may be used except for certain permitted purposes. It is a situation which seems to me most unsatisfactory in every way and from which we must try and find a way out as soon as possible. The Russell Vick Committee whose report is referred to below emphasise that one of the most important steps to be
taken if the black market is to be suppressed is to regain the support and confidence of the motoring public. I do not think this will be possible without some modification of the present rationing arrangements.

5. There appears, however, to be no doubt that the withdrawal of the basic ration together with the other petrol cuts imposed in the autumn have achieved substantial savings. I estimate these savings for the five months ended 29th February at nearly 250,000 tons, costing £15,000,000 dollars. Although Marshall Aid now seems almost certain, it has been repeatedly stressed that its purpose is only to enable us to carry on without further cuts and not to increase petrols. Further, while the tanker position will be easier in the second half of this year, our future oil supplies are most uncertain. I have assumed therefore that however serious the political and administrative consequences of withdrawing the basic ration may have been, we cannot possibly contemplate a return to the level of petrol consumption reached last summer and that we must try rather to find a solution without any increase in consumption at all.

6. The first step must be to tackle the black market. In another paper I deal in detail with the recommendations of the Russell-Vick Committee set up to study this matter. The Committee estimated that in 1947 about 130,000 tons of petrol were transferred from commercial to private use through the black market. This figure must have been substantially reduced since the restrictions imposed last autumn. It is nevertheless probable that 50-100,000 tons of petrol are still being consumed in this way, and their main proposals, if adopted, should put a stop to this and should prevent an even more serious leak from developing if a basic ration were to be restored.

7. One of the measures proposed by the Committee is a cut of 10% in the allowances to goods vehicles. The gross saving from this would be 220,000 tons a year. But as there would doubtless be many appeals and fewer coupons unused, the net saving in petrol consumption would be much less and presumably would not greatly, if at all, exceed the 50-100,000 tons which could be stopped from entering the black market.

8. It has not proved possible to devise any practical measures which could be automatically applied so as to secure an immediate saving in the B and S allowances to motorists. But I am satisfied that, by careful scrutiny over a period, we can achieve some reduction in consumption here, which I estimate at 20,000 tons at least per annum.

9. It appears, therefore, that from the sources mentioned in the preceding paragraphs there may be provided 70-120,000 tons of petrol per annum which without any increase in total consumption could be used in any modification of the rationing system we make.

10. With these considerations in mind I now propose the following plan, which if approved should operate from 1st June.

(a) A "standard" allowance shall be made available for every person owning a motor vehicle. This will allow approximately 90 miles a month motoring, as compared with the basic ration which allowed 270 miles a month immediately before it was withdrawn. This "standard" allowance may be used for any purpose.
The "standard" allowance will be deducted in full from all existing allowances so that those receiving supplementary allowances equal to or exceeding the "standard" ration get the same total number of coupons as before. This is in contrast to the old basic ration which was additional to the supplementary allowances. The principle will be that every motorist is entitled to a "standard" allowance without enquiry as to his "needs", but that if he wants to obtain more he must show that the standard allowance is insufficient for those business and other purposes which are taken into account by the Regional Petroleum Officers. I think this can be defended on the ground that at present we just cannot afford any more petrol, that those now receiving supplementary allowances already get a good deal of "convenience" motoring, and that they will have the advantage of being able to use their "standard" allowance freely.

If these proposals are adopted, it may be necessary to find in a full year, after the changeover from the present system is complete, approximately 600,000 standard allowances for the motor cars at present off the road, at an average of 3-2/3 gallons per vehicle, and approximately 330,000 allowances for motor-cycles at present off the road, at an average of 2-1/2 gallons per vehicle; that is to say about 120,000 tons of petrol per annum.

(d) The coupons which make up the standard allowance will be available for six months, thereby enabling the motorist to save up and use them all together if he thinks fit.

It will be seen that in this plan there is still the possibility of a very slight increase in petrol consumption. But the maximum increase which is at all likely (apart from seasonal variations) is no more than 50,000 tons per annum compared with a total consumption of nearly 3 million tons. I feel this is a very small risk to take for the administrative, political and social advantages which should result from the proposed change.

There are two further modifications which I also wish to make.

(a) Both in the measures taken against the black market and the scaling down of allowances, it is imperative that we should have the fullest possible support from the motoring public. In order to help us to obtain this and at the same time get the benefit of the advice and experience of the organisations most closely connected with petrol rationing, I propose to set up a small advisory committee including representatives of the Automobile Association and the Royal Automobile Club. Its function will be to keep the rationing system under constant review and in the light of the total amount of petrol which the Government decides to make available for private cars, to advise on any changes which may be necessary. I must make it clear however that I do not think we shall obtain the support of the motoring organisations unless we can allow some small all-purpose ration such as I have proposed in paragraph 10.

(b) In view of the uncertainty which necessarily attaches to our future dollar and petrol supplies, it is desirable that we should be in a position, if the need arises, to reduce at short notice the less important supplementary allowances.
This can be achieved if in future we issue the allowances in different types of coupons, some of which can have their face value altered by announcement. I need not trouble the Cabinet with one or two technical questions connected with this matter on which I propose to enlist the advice of the committee referred to in (a) above.

13. Although I cannot pretend, in view of the limited supplies of petrol available for private cars (about 36% of pre-war), that the arrangements set out in paragraphs 10 and 12 are completely satisfactory, I believe they offer the best solution of a very difficult problem, and I am fairly confident they will command the support of the majority of motorists and of the motoring organisations. Accordingly I ask the Cabinet to approve them. As I have in any case promised to make a statement shortly so that people may make holiday plans, I should also like to have authority to announce the new arrangements immediately after the Easter recess, at the same time as the Vick Committee report and the Government's decision on it are made public.

H.T.N.G.

Ministry of Fuel and Power, S.W.1.,

18th March, 1946.